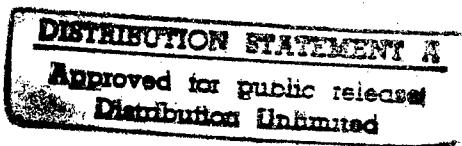


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Soviet Union

International Affairs



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CONTENTS

3 October 1991

WORLDWIDE TOPICS

IAEA Team Inspects Kc¹³⁴ Reactor [PRAVDA, 23 Sep 91] 1

EAST-WEST RELATIONS

Prospects for Major Migration from USSR, East Europe [G. Glushenko; TRUD, 6 Aug 91] 2

GENERAL ECONOMIC AFFAIRS

Decree on Developing Economic Relations with Foreign Countries
[PRAVITELSTVENNYY VESTNIK No 28, Jul 91] 4

Foreign Trade Association Seeks to Expand Ties With Israel
[Ye. Loyevskiy; DELOVOY MIR, 30 Jul 91] 4

USSR-Iran Cooperation in Energy Sphere Assessed
[S. Borisova; PRAVITELSTVENNYY VESTNIK No 28, Jul 91] 5

Retailers' Association Holds Congress [T. Odinokova; PRAVDA UKRAINY, 13 Aug 91] 7

Soviet Trade Union Delegate Speaks at Mexico City Conference [V. Kucherov; TRUD, 10 Sep 91] 9

Russian Firms To Supply Power Generating Equipment to U.S.
[L. Neverovskiy; RABOCHAYA TRIBUNA, 14 Sep 91] 10

U.S. Banking Concerns About Soviet Debt [A. Shalnev; IZVESTIYA, 13 Sep 91] 10

German Business Circles' Fears About Soviet Debt Repayment Described
[A. Stepanov; PRAVDA, 13 Sep 91] 11

Diamond Export Association Official on De Beers' 5-Year Marketing Rights
[P. Kovylin; IZVESTIYA, 16 Sep 91] 12

Deputy Trade Minister on Export, Import Activities
[S. Sarukhanov; ARGUMENTY I FAKTY No 36, Sep 91] 13

Reports on Soviet Gold Transfers Assessed [M. Berger; IZVESTIYA, 13 Sep 91] 14

Rumors About Secret Gold Exports From the USSR Continue in Japan
[V. Golovnin; SELSKAYA ZHIZN, 19 Sep 91] 15

Gold Transfer Rumors Reported Harmful to Soviet Economic Interests
[V. Golovin; RABOCHAYA TRIBUNA, 21 Sep 91] 15

UNITED STATES, CANADA

Pratt & Whitney to Build Engines for Soviet Airliners [G. Carney; IZVESTIYA, 14 Sep 91] 17

RABOCHAYA TRIBUNA Recommends Radio Liberty Programs
[RABOCHAYA TRIBUNA, 21 Sep 91] 17

WEST EUROPE

UK Ponders Economic Effects of USSR Breakup [A. Lyutyy; PRAVDA, 13 Sep 91] 18

FRG Debates New Role for Bundeswehr [Ye. Nozhkin, L. Strzhizhovskiy; PRAVDA, 16 Sep 91] 18

Talks With Germany on WWII Reparations Viewed [Ye. Bovkun; IZVESTIYA, 20 Sep 91] 20

German Territorial Claims Against Poland, CSFR Foreseen
[V. Silkin; RABOCHAYA TRIBUNA, 20 Sep 91] 22

Swedish Prime Minister-Designate Profiled [A. Boldinyuk; PRAVDA, 20 Sep 91] 23

Swedish Service Stations To Open in Estonia [BALTFAX, 24 Sep 91] 24

EAST EUROPE

Shatalin on Cooperation With East Europe [London AL-SHARQ AL-AWSAT, 4 Sep 91] 25

Hungary to Supply Feed Grain for Energy [RABOCHAYA GAZETA, 12 Sep 91] 26

Prague Criticizes Gosbank Reneging on National Currency Use [V. Karpich; IZVESTIYA, 23 Sep 91] .. 26

CHINA, EAST ASIA

Pursuit of Hard Currency in Asia-Pacific Region Meets Little Success
[S. Agafonov; *IZVESTIYA*, 23 Sep 91] 27

NEAR EAST & SOUTH ASIA

Malaysian Defense Minister Meets Shaposhnikov [TASS, 24 Sep 91] 28
Analyst on Iraq's Actions, U.S. Response [Moscow International, 25 Sep 91] 28
Shevardnadze on Ties With West, Mideast Peace Process [London AL-HAYAH, 25 Sep 91] 28

IAEA Team Inspects Kola Reactor

92P50001A Moscow PRAVDA in Russian 23 Sep 91
Single edition p 2

[Report by PRAVDA external correspondent A. Khramov:
"This Is the Best of the Ships. . ."]

[Text] A group of experts from the International Atomic Energy Agency [IAEA] is completing its work in studying the operational reliability of the Kola Atomic Power Station.

According to the evaluation of the IAEA experts, who worked here in April, the Kola Atomic Power Station meets all international norms for ensuring safety in the operation of nuclear reactors. With the completion of this

inspection a final report, dealing at once with several atomic power stations in the USSR and the countries of Eastern Europe, will be prepared. International experts have already finished assessing atomic power stations in Kozloduy, Bulgaria; in Bohunice, Czechoslovakia; in Greifswald, Germany; and also in Novovoronezh.

The IAEA specialists were also on board the atomic icebreaker Taymyr, where they acquainted themselves with the work of its nuclear installation and with the safety measures used in operating it. Speaking for all of them, Eshla Ervin, the leader of the mission said: "I have been on many ships. This is the best of the ships that I have visited."

Prospects for Major Migration from USSR, East Europe

91UF1050A Moscow TRUD in Russian 6 Aug 91 p 3

[Article by G. Glushenko, a candidate of economic sciences: "A Third Wave of Migration: Will It Turn Into Mass Flight from the USSR?"]

[Text] Preparation and passage of the law "On Procedures for USSR Citizens Departing and Entering the USSR" has provoked a sort of "information explosion" in the domestic press—a torrent of materials has literally deluged readers concerning questions of "Soviet migration," of articles teeming with both emotions and hypothetical data regarding the scale of our approaching "invasion" of the West.

But it would be incorrect to give ourselves all the credit for the exaggeration. The Western mass information media are no less successfully agitating their own readers, mainly by making reference to data from our own surveys. A firm view has developed of the USSR as a drowning, disintegrating giant that is not in a position to restrain its citizens, who are ready to migrate abroad under any conditions.

We will attempt to free ourselves of excessive emotions and to dispassionately examine the problem of migration. This is already the third wave of it that we have experienced during the post-October period. People left during the years of the Civil War, saving themselves from repressions, from the terror that was instigated within the country. Later—as a result of persecution of dissident thinkers by the totalitarian regime. And now, there is a new wave. A result of this has been a drain from our country of the intellectual and creative elite, and sometimes also of the most able-bodied part of the population. Think of the brilliant names known to world civilization that are connected by ties of blood to Russia! And this under the extremely tight emigration policy that existed over the past seven decades. What will happen now? The threat that unrestricted departure will turn into mass flight seems obvious to many. Regular surveys of public opinion make it possible to suppose that there will be, oh so many who will want to go abroad! Of course, under conditions of economic instability, of severe shortages, and of a drop in the standard of living in our country, many of our fellow citizens are developing a desire to leave in order to earn a living.

And, nevertheless, there is no sufficient basis to assert that the supposed migration may become massive. There are a number of factors that restrain this process—demographic, social, geographic, and, finally, individual ones.

Middle-aged people have little chance of successfully establishing themselves abroad. It is known that the major labor markets demand young men, full of strength, under 25 years of age, without ambition, in order to perform, as a rule, heavy physical and unprestigious labor. According to the data of the International Labor Organization, the relative share of young people among migrants ranges in the European countries from 37.9 percent in the FRG to 49.9 percent in Belgium. In most countries, males are predominant among migrants. Of course, new tendencies

are appearing. In particular, a noticeable reduction is occurring in the employment of male migrants in construction, the steel industry, metal working, and automobile manufacture and an increase is taking place in the share of foreign workers in the sphere of services, in financial institutions, and in trade.

In the opinion of many experts, contract migration of a "special-purpose" type will prevail in the future, i.e. recruitment for a specific project. In a majority of countries, preference is traditionally given to individuals without families.

Such factors as the language barrier, the lack of close contact with parents and close relations, life in an unfamiliar climate, failure to recognize our diplomas, and limited possibilities for children to obtain an education do help departure.

But even if we accept the prognosis of certain demographers that, even now, up to 30-40 million persons are prepared to leave the USSR, then, all the same, we should not exaggerate the possible consequences of migration, inasmuch as this process is regulated to a certain degree.

For a majority of the industrial countries, an active migration has been characteristic of difficult periods of their development. However, as domestic economic problems have been solved, this has stabilized itself. As an example, we can take Italy, which as a basic condition of joining the EEC, advanced a demand for free exchange of labor forces. Now, having become one of the most dynamic of the developing countries, Italy has curtailed migration and, at the present time, is both an importer and exporter of manpower. Other Mediterranean countries are also following this same path.

Over the course of a long period of time, we have looked at migration as a negative phenomenon. In fact, the reality is such that migration is accompanied by a "brain drain." A large part of those leaving are representatives of the new young generation, in whom great hopes are placed in their own country. Thus, from 1983 to 1987, 398,000 persons left Poland and 15 percent of this number had completed higher education, which is equal to the average number of higher educational institution graduates during the 1980s. Bulgaria has also run into the problem of a "brain drain." Between January and June 1990, about 45,000 persons with higher education left the country and remained abroad. The tragedy of the situation, however, lies not in the fact itself of emigration abroad, but in the fact that a majority of those leaving are people who have gone to the West on tourist trips and have remained there to work, not in their professions, but in restaurants, hotels, and the like. Among these persons there are candidates and doctors of science.

Nevertheless, our Eastern European neighbors have been able to separate the wheat from the chaff and are making serious efforts to penetrate the international centers of the labor migration. And the first results are already in. Thus, workers from the countries of Eastern Europe, mainly Poles and Czechs will be hired for restoration work in Kuwait. In Germany, foreign firms have been given the

right to utilize foreign personnel. The upper limit of their use at these enterprises comes to 70,000 persons. Already now, 35,000 citizens of the Eastern European countries are working under such contracts.

How beneficial is labor migration? As international practice shows, traditional partners in the area of manpower exchange have the possibility of receiving credits for development of their own economy. In the exporter countries, an additional source of foreign currency earnings appears in the form of money received from migrants. In Turkey, Yugoslavia, and Pakistan money transfers are calculated in the millions of dollars and are making it possible to solve many urgent problems facing these countries. In Egypt, for example, at the beginning of the 1980s, operation of the Suez Canal provided a profit of 970 billion dollars, tourism—600 million dollars, and monetary transfers from migrants—3.1 billion dollars. In the Yemen Arab Republic, the amount of transfers exceeded receipts from exports by 100-fold.

Up until now, migration abroad from the USSR has not brought the state any benefit at all. Basically, it has been of a permanent nature and has only served to squander valuable labor resources. As the English newspaper FINANCIAL TIMES noted, since 1987 more than a million persons have emigrated from the USSR. The majority of these went to Israel and to Germany.

Well thought-out measures are needed to transform permanent migration into temporary labor migration. This is all the more urgent because the unstable economic situation in our country and a tightening of migration legislation in the countries that import manpower can encourage our fellow citizens to migrate illegally. For example, every third migrant now arriving in Germany is illegal. At the same time, of every hundred arriving, 94 find work. Total domination of illegal migration would mean the loss of social, professional, civil, and property rights by Soviet

citizens abroad and would bring into question those many advantages that the USSR could receive from the export of labor power. Of course, when talking about the advantages of legal migration, it is necessary to consider the fact that, to all appearances, we will sense these only after a certain period of time. The figure, which has appeared in Western studies, of ten billion dollars that will annually be transferred from abroad to our country by people who have left in search of work seems an improbable one, at least during the next ten years.

The fact is that an international labor market has already developed in the world, in which competition has been recently growing among the exporter-countries that occupy a fixed position within it. For understandable reasons, the appearance of a new competitor in this situation produces a negative reaction both on the part of exporter countries and on that of importers of labor forces. In order to enter this market and gradually solidify one's position there, it is necessary to conduct a well-considered foreign economic policy that includes careful study market competition, professional selection, oversight carried out by intermediary and commercial organizations to ensure that the legislative norms of the USSR and international norms are observed, inter-governmental agreements with importer countries, and the establishment of relationships with interested international organizations.

We have the obligation to concern ourselves with the interests of our country and of those citizens who wish to leave in search of work and who are sometimes even forced, in our troubled times, to abandon their homeland. Every citizen of the USSR must be confident that, no matter how far distant his place of work may be from his native land, he will always be able to return without concern. Indeed, it is not without reason that it is said: "The motherland is not where things go well, but things go well only in the motherland."

Decree on Developing Economic Relations with Foreign Countries

91UF1168A Moscow *PRAVITELSTVENNY VESTNIK* in Russian No 28, Jul 91 p 5

[Decree No 393 of USSR Cabinet of Ministers on Additional Conditions for State Enterprises, Associations, and Organizations of the USSR for the Development of Trade and Economic Ties with Foreign Countries in 1991, signed 23 June 1991 in the Kremlin by Prime Minister V. Pavlov of the USSR and Administrator of Affairs I. Prostyakov of the USSR Cabinet of Ministers]

[Text] To execute the ukase of the president of the USSR of 2 November 1990 "On the Special Procedure for Using Foreign Currency Resources in 1991" and as a supplement to Decree No 1253 of the USSR Council of Ministers of 8 December 1990, the USSR Cabinet of Ministers hereby decrees that:

1. State enterprises, associations, and organizations of the processing branches of industry and machine building will be authorized to conduct trade in 1991 with partners in the CEMA countries, Yugoslavia, China, the DPRK, Laos, the State of Cambodia, the eastern territory of the FRG, India, Syria, Egypt, and Afghanistan for the purpose of maintaining cooperative ties, developing trade, and creating the necessary conditions for the establishment of joint enterprises, companies, and concerns.

Enterprises, associations, and organizations engaged in trade will do the following:

export their own products (and works or services) on the condition that they have met unionwide export quotas and fulfilled production commitments in agreements on trade and economic cooperation with these countries for 1991, as well as deliveries to the state and contracted shipments;

import technical items for production purposes, including equipment for the production of consumer goods, components, and spare parts for previously purchased machines and equipment, for their own production needs for the entire amount of their export receipts, and sell up to 40 percent of these items to other enterprises in the branch for use for their own production needs, with payment in rubles based on the contract price at the commercial rate of exchange, with the addition of overhead costs, customs duties, and export and import taxes;

import medical supplies, foodstuffs, manufactured consumer goods (with the exception of luxury items), and other goods and services for social needs for an amount equivalent to 25 percent of their export receipts.

2. Contracts on trade operations will be concluded at the current world prices in hard currency, with invoices to be submitted for accounting purposes to the USSR Bank for Foreign Economic Operations or other authorized banks.

Trade operations initiated by state enterprises, associations, and organizations will be conducted by the all-union foreign economic associations of the USSR Ministry of

Foreign Economic Relations, other ministries and departments of the USSR, the USSR Chamber of Commerce and Industry, and republic foreign trade associations.

State enterprises, associations, and organizations may conduct autonomous trade operations with authorization from sectorial and republic administrative bodies.

3. The USSR Ministry of Foreign Economic Relations and sectorial and republic administrative bodies will oversee the fulfillment of this decree. Proposals on the suspension of the rights of enterprises, associations, and organizations to conduct foreign economic operations will be submitted to the USSR Cabinet of Ministers in the established manner for violations of the procedure for using world prices and other conditions of trade operations which are stipulated in this decree and which could jeopardize national economic interests.

Foreign Trade Association Seeks to Expand Ties With Israel

91UF1161B Moscow *DELOVOY MIR* in Russian
30 Jul 91 p 6

[Article by Ye. Loyevskiy: "Overtaking the Diplomats"]

[Text] Over the past year the commodity turnover between the USSR and Israel increased fourfold. It is true that in total it is not that great being equal to the trade turnover between Israel and Bulgaria. Still, the businessmen are overtaking the diplomats. One hopes that expansion of business ties between the two countries will be promoted by the "Russia-Israel" Foreign Economic Association which was recently registered with the USSR Ministry of Foreign Economic Relations.

"Preparatory work was started back in October of last year," stated General Director of the "Russia-Israel" Foreign Economic Association Sergey Tikhonov. "We immediately encountered two mutually contradictory factors. On the one hand, organizations striving to establish many ties with Israel in a great variety of branches, while on the other hand, the fact that most of the attempts at such cooperation ended in failure. It was specifically this that convinced us that streams of business initiative must be confined within skillfully designed banks so that these streams can merge into a river."

Soviet founders of the "Russia-Israel" Foreign Economic Association include the "Vostok" bank, the "Limited" and "Juginkraft" joint enterprises, firms located in Sverdlovsk, Khabarovsk, and Moscow, as well as the Moskovskaya Oblast Executive Committee and the Birobidzhan City Executive Committee. The association receives the support of the USSR Chamber of Trade and Industry and the Consulate General of Israel in Moscow.

"Organizing such an association in Israel we took aim right from the start at labor-intensive and long-term projects," stressed association president Vladimir Mushinskiy, a businessman who was a Soviet citizen just a year ago. "That is why we went to the number-one bank in Israel—the 'Apoolim.' After all, around 100,000 immigrants opened their accounts there recently. We understood that

interaction with such a prestigious partner requires an appropriately responsible attitude. We also know something else: should we win we would be assured reliable work, high authority as founders, and durability of the plans."

The group headed by Vladimir Mushinskiy won a substantial competition for projects. The fact that the basis of work in the Soviet Union would consist exclusively of Soviet currency, that is rubles, was considered at the bank to be the principal merit of its proposals. This monetary unit, which was not named in the domestic press in a humiliating manner, is already working. The "Olim-Card" project, which was briefly described in DELOVOY MIR, is now in operation.

Let us recall that "Po Olim" offices have already been established in Moscow and in recent days in Kharkov and Kiev as well which are contacted by hundreds of persons who acquire the special "Olim Card" for only 350 rubles. This is a kind of an aid for the immigrant in the first year of life in Israel. The cards ensure special bank credits and life insurance, shopping discounts, and free medical services. The total value of services available with each "Olim Card" is estimated at 600 dollars. At the same time the Soviet government also indirectly gains—its concerns are eased with regard to its former citizens in the light of the recently adopted law on departures.

What about the rubles? No one is planning to export them. They become a reliable basis for other projects of the association. For instance, personnel training. What is the main stumbling block at the present time for a person arriving in Israel? Work. It is hardly necessary to say that many persons, young people in particular, lack adequate skills to find employment, for example, in construction. Why not train workers in the Soviet Union? The association addressed this question. Partners were found. The advantage here is a mutual one: those departing will acquire a skill and a job, while the training centers which will be staffed by Israeli craftsmen, will gain experience in the use of modern equipment.

As far as the bank is concerned, it gains something tomorrow: industrious clients are created. Furthermore the "Russia-Israel" Foreign Economic Association is planning to "marry" "Apoalim" with one of the Soviet banks and the opening of joint departments is anticipated.

What is it, for example, that is today hindering the development of close relations with Western firms? Primarily the lack of reliable and full information at those firms concerning the possibilities of the Soviet economy. The second obstacle is the complex labyrinth of foreign trade structures dead ends in which consist of constantly changing laws and instructions. Therefore the "Russia-Israel" Foreign Economic Association intends to act as a consultant and "pilot" in the informational sea and as an organizer of advertising campaigns in both countries. In addition to that it will also help with feasibility studies of a large variety of different joint projects. On the other shore these functions are being taken over by a group of specialists headed by V. Mushinskiy.

Scientific and technical links, of course, are also at the center of attention of personnel in the association. The "Russia-Israel" Foreign Economic Association, however, is likewise prepared to finance humanitarian projects. These are just two of them: creation of a fund to aid Jewish orphans and conduct of a festival jointly with the Odessa City Executive Committee honoring the memory of the famous writer Zev Zhabotinskiy.

The "Russia-Israel" Association is only a few days old. Its doors are open. Applications to participate in its work may be sent to the following address: 103062 Moscow, a/ya 120.

USSR-Iran Cooperation in Energy Sphere Assessed

*91UF1162A Moscow PRAVITELSTVENNYY
VESTNIK in Russian No 28, Jul 91 pp 10-11 p 3*

[Interview with A. Poddubskiy, Deputy Minister of Power and Electrification of the USSR, date not given: "Become a Businessman As Well"]

[Text] Iran and the USSR have long-standing economic links. Collaboration in the field of power engineering also has its history. This history had its high and low points. What is the state of affairs at the present time?

Deputy Minister of Power and Electrification of the USSR A. Poddubskiy responds to our correspondent's questions.

[Borisova] Aleksandr Pavlovich, what is it that we are building in the neighboring country?

[Poddubskiy] First of all I would like to underscore that the capacity of electric power plants built in the previous years in Iran with the technical assistance of the USSR exceeds two million kilowatts. We can say that the "Shahid Mokhamad Montazeri" Thermal Electric Power Plant, with a capacity of 800,000 kilowatts, provides power to the large Isfahan industrial region. The city of Ahwaz has the Ramin Thermal Electric Power Plant, which is in the southern part of the country, in Huzistan, the main petroleum producing region of Iran. It is possible to name other projects the creation of which involved the work of Soviet power engineers and machine builders.

Unfortunately normal and systematic development of our collaboration was prevented by the Iran-Iraq war when not only extensive damage was sustained by oil fields and oil processing enterprises but more than half of the electric power generating capacity was put out of commission as well. This, of course, has an effect on the operation of industry and particularly on the life of the population.

That is why the Iranian government considers it necessary, first of all, to restore the lost capacities and, secondly, to build new electric power plants. Thus four more power blocks of 200,000 kilowatts each will be added in the second section at the "Shahid Mokhamad Montazeri" Plant which is already under construction. Two blocks of 315,000 kilowatts each will be added at the "Ramin" Plant. By the way, this is the first plant in the Middle and Near East with supercritical steam parameters.

Contracts have been signed for six power projects in accordance with the intergovernmental agreement of 4 November 1989, stipulating the delivery and installation of sets of Soviet equipment for the construction of national economic projects in Iran (primarily in the field of energy production) in exchange for Iranian gas. In addition to those I named above, two more thermal electric power plants will be constructed within the next five years: the "Arak" Plant near the city by the same name in the center of the country with a capacity of 1,260 thousand kilowatts and the "Nishapur" Plant in the vicinity of the city of Meshed with a capacity of 800,000 kilowatts. Geological prospecting and exploratory work is already under way there. "Hodaaferin" and "Gyz-Galasy" hydroelectric developments will be constructed on a parity basis along the Aras River on the border. The water reservoirs formed by these hydroelectric developments will allow irrigation of large additional areas along both banks of the Aras River.

In short, all of these projects with a combined capacity of around 3.5 million kilowatts will be built on a "turn-key job" basis by Soviet organizations in accordance with direct contracts and contracts of an intermediary—the All-Union "Tekhnopromeksport" Association. Their introduction will help to consolidate the economy of Iran and allow the restoration and erection of a number of industrial facilities which, in turn, will raise the employment level of the population. This is a highly important question for Iran.

[Borisova] Who are the partners of Soviet power engineers and how are the mutual relations forming?

[Poddubskiy] The "Tavanir" joint-stock company of the Iranian Ministry of Energy is the ordering organization. This organization produces three-fourths of the electricity in the country.

It is necessary to say that the Islamic Republic of Iran, in carrying out a large-scale, long-term program of economic development, regards power engineering as one of the priority directions. So, in the long range, we have, first of all, the possibility of collaboration in the construction of hydrotechnical facilities on the Atrak and Harirud rivers bordering on Turkmeniya and the cascade of large hydroelectric power plants on the Karun River with a total capacity of up to six million kilowatts. Secondly, there is an expansion in the market for Soviet equipment, machines, and other goods. These are highly promising factors.

But.. I must ask to be excused, I cannot reply to the second part of your question without the unfortunate word "but."

The point is that the existing system of payments for deliveries in so-called "clearing dollars" considerably diminishes the economic interest of industrial enterprises—producers of the equipment, construction-installation, and design organizations. In brief, clearing accounts are much less advantageous than the settlement of accounts in freely convertible currency. We encounter

instances when certain Soviet manufacturing plants completely refuse to export their products under such conditions. One can understand them—everyone needs foreign currency at the present time. For reconstruction and modernization of production, purchase of new equipment, and also for the implementation of social programs.

This gives rise to the following circumstance: without conducting modernization of enterprises we are satisfying to a diminishing degree the demands of our Iranian partners for equipment which is based specifically on world standards. As a result of that their desire to increase the share of reexported equipment, that is equipment purchased from third countries, is growing literally, I would say, from contract to contract. It is understandable that the effectiveness of collaboration diminishes. I am not even talking about our basic slackness and lack of responsibility, at the same time for partners the deadline indicated in the contract is law.

In general the situation which developed at present is such that prospects for our successful collaboration, in my view, are connected with a mandatory shift to accounting with Iran in freely convertible currency. After all this country is our neighbor and we already have a place in its market. It is necessary not to curtail our presence there but to expand it.

I am convinced, and do not accuse me of localistic tendencies, that the "gas agreement" which is currently in effect, or rather the system of payment for delivery of gas to the USSR, needs a certain adjustment. After all, in practice it turns out that Soviet organizations taking part in the construction of power facilities in Iran, in essence, work for the gas people. It is necessary to find a variant, where both they and us would share the roses and the thorns to an equal degree.

[Borisova] This question is probably not quite in line with the topic of our conversation. Recently the branch Foreign Economic Association of Power Engineers, "ASEN," was created and you were elected as its president. First of all, congratulations. Secondly, pardon me, but what is this association needed for?

[Poddubskiy] Thanks for the congratulations. As far as the tasks of ASEN are concerned they cannot be described in just a few words. Particularly since we will touch on collaboration with Iran in one way or another.

In brief the tasks of the association can be formulated as follows: realization of major programs and projects within the country and abroad in the construction and reconstruction of power producing projects on a commercial basis founded on principles involving the reimbursement of expenditures with foreign currency, development of the export potential of the branch, and realization of individual social programs with the attraction of foreign capital and credits.

The association forms a part of the system of the USSR Ministry of Power and Electrification and, as they say, is a legal entity with all the consequences that stem from that. It operates, naturally, on the basis of cost accounting

principles. Its more than 30 participants include "BratskGESstroy," "KamGESstroy," the "Energomontazh" and "Elektromontazh" associations, the "Energomash" and "Energoremont" scientific-production associations, leading scientific design and startup organizations of the branch, the "Zarubezhenergostroy" All-Union Production Association, and a number of other organizations whose personnel have extensive experience in construction, repair, and operation of power facilities in many countries of the world.

Inasmuch as we are moving toward market relations, and they are impossible without demonopolization, the association must specifically promote the eradication of monopolism. This, in brief, is the purpose it was created for.

Now, let us return to Iran. The creation of a joint Soviet-Iranian company which will engage in the building and operation of electric power plants as well as their servicing and repair of equipment is proposed within the ASEN framework. The company will also commence training Iranian specialists-operators both in Iran and at the Soviet enterprises. It is planned to carry out this entire range of services for third countries as well, involving both Soviet and Iranian specialists. This holds considerable promise.

Finally, we are planning to create a number of small enterprises for the production of consumer goods on the territory of the USSR jointly with Iranian partners.

[Borisova] The last question, Aleksandr Pavlovich. How do you feel about the assertions heard in our country to the effect that the granting of additional rights for Soviet enterprises by the new legislation to enter the foreign market independently are premature and connected with considerable risk because of the inadequate professional training of personnel?

[Poddubskiy] Negatively. In my opinion that is said by those who today continue holding in their hands the monopoly on conclusion of foreign economic contracts and do not wish to relinquish it. As far as professionalism is concerned... With all due respect, as they say, it is necessary to frankly recognize that our present indebtedness and irrational, not to use a ruder term, utilization of credits, and the existence without foreign currency of even those collectives which earned it specifically for the country themselves through selfless labor, is on the conscience of exactly the monopolists-professionals.

Let us take a close look at our personnel. I doubt anyone could change my mind that we have quite a few experienced specialists in industry, construction and power engineering, including those with extensive experience in foreign economic collaboration. It is necessary to make better use of their abilities and knowledge. In addition to that it is also necessary to take into account that people perfect themselves and learn in the process of working.

In the entire world thousands of firms operate both within their domestic market and in the foreign market. Under equal conditions. No one artificially separates the market into two parts—that is absurd. I also feel confident that

with our transition to market relations the "erosion" of these artificially created boundaries will occur quite fast.

Foreign economic activity must be developed with consideration of the interests of the producer. It is necessary to shift as quickly as possible from the imposed "buying-selling" scheme to profound integrational processes, the assimilation of advanced equipment at enterprises of the USSR, the development of true market relations, and modern infrastructures, to the skillful involvement and utilization of foreign investments. So that all this would work for the Soviet man.

In general, there is no time to be lost. Today it is not sufficient just to be a specialist—it is necessary to become a businessman as well.

Retailers' Association Holds Congress

91UN2472A Kiev PRAVDA UKRAINY in Russian
13 Aug 91 p 3

[Report by Tamara Odinokova: "What Will TsUM and 'Friendship' Offer Us? Contemplating Problems and Innovations in Retail Trade"]

[Text] Kiev-Vinnitsa—The largest 33 department stores in the republic left the Ministry of Trade system and formed their own Association of Ukrainian Department Stores. How did the ministry react? It decided to join the association as an equal member, too—and was accepted.

"One hour of consultation in my office behind closed doors costs 500 rubles." (From the speech of V. Tolochko, director of Donetsk's Raduga Department Store, at the business conference in Vinnitsa).

"In time, we would like to buy our own airplane. Then we will be able to not only participate in international fairs, but also to organize them." (From a conversation with Association Director V. Medyany).

Private aircraft and money for sharing the expertise... That is some doing!

Who has ever heard of this, especially here? Although... As they say, new times bring new songs. Today, the association is tackling issues the retail trade did not have to encounter before.

So what is this new association, and what can we, the consumers, expect from it? Will there finally be the necessary and affordable goods for sale, or will the commercial departments in department stores mushroom, offering a size 10 cotton suit for 1,600 rubles [R], a T-shirt for R200, a miniskirt for R700, and dress shoes for the same amount?

It is quite understandable that both specialists and we, the journalists, have more than idle curiosity in regard to the new trade association.

"In the environment of transition to a market, it is especially important to formulate and to correctly fine-tune the economic mechanism of managing the retail trade—the market's main barometer," explains V.I. Chichikalo, the association president, director of

Chernigov's Friendship Department Store. "Our association is not just a tribute to a fad. Nor is it a new name for old administrative structures. It is, first of all, a new policy in the industry."

They all had ideas, doubts, and plans. When they gathered together, they often stayed until the morning: Each had something to say; each was looking for a way out of the dead end.

The same V.I. Chichikalo has already established direct links with tens of industrial enterprises in Chernigov City and Oblast, and with enterprises in many foreign countries. In the Donetsk's Raduga department store, for the first time in the Ukraine (as early as in 1987) they formed a single team based on cost accounting, which included, contrary to instructions, all members of the labor collective—from the director to a janitor.

The experience in social development in Vinnitsa department store was already known far beyond the republic borders.

In short, each manager had his own experience. All together, they came to the conclusion: Retail trade, just like many other branches, is in a state of crisis, and they can only get out of it if they join forces.

In 1988, at the initiative of the Ukraine Mintorg, a volunteer council of department store directors was formed. In 1990, they decided to leave the Mintorg system and to form their own association. Its founders were 27 of the largest enterprises—such as Kiev's Ukraine and TsUM [Central Department Store], the Vinnitsa department store, the trade centers White Swan (Donetsk) and Friendship (Chernigov), Yuzhnyy Bug Trading House (Nikolayev), USSR Mintorg's commercial institute for continuing education for managers and specialists, and the Belotserkov Furniture Factory. And, as was already mentioned, the Ukraine Mintorg.

As we heard from competent sources, most likely the ministry will be transformed into a large trading house. Naturally, it will profit from membership in the association. Meanwhile, Minister O.I. Slepichev on behalf of Mintorg welcomed the emergence and the first steps of the new trade association.

The newly fledged businessmen recently held two significant events in Vinnitsa: its first business congress "Univermag-2000", and an exposition and sale of products from 35 German firms; the latter was conducted with the participation of the East Committee of German Economy, the expo company DMA (Berlin), the FRG's consulate general in Kiev, and the trade and commerce company Vheshekspobiznes. More than 150 representatives of department stores, industrial enterprises, joint enterprises, and trading houses from around the country participated in this gathering of Soviet and foreign commercial traders.

The name of the event itself—"Dialog-91: Univermag-2000"—says that the topic was the prospect for ten years ahead. This is normal in economic terms; however, with our current shortages, people are concerned about today. One cannot do without underwear and shoes for 10 years.

Can the association help people now? And how are the association activities different from those they had been engaged in under Mintorg's wing?

"Easiest of all is to sell the goods that arrive at the store through distribution channels established by local authorities. But this is, as you surely understand, not a market, and it does not come close to commercial activities," said Association Director V.A. Medyanyy. "Besides, we can hardly count on our industry to flood the stores with goods in the near future. We have to go after the goods ourselves and fill the store shelves."

How could I refrain from a question:

"Do you really consider it an achievement that every store sell commercial goods and goods brought in by foreigners? Synthetic fabrics sell at R120 a meter, and prices on clothes are out of reach..."

"The more we have of these goods, the faster prices will go down," calmly answered Vladimir Afanasyevich. "But I wanted to mention other sources. For instance, we are planning to buy shoes in Italy—the shoes that are put up for seasonal clearances, that is, discounted, but nevertheless of good quality. Of the kind our black marketeers sell at highest prices. Except that we will sell them for considerably less. Let us only hope that custom duties will not stand in the way. After all, we are only leaving the 20 percent specified by law for our own development and subsistence."

"There are other ways of getting the goods, including our own or joint manufacturing," he continued. "Take, for instance, the same Donetsk Raduga. They established their foreign economic relations as early as 1987 when the enterprise switched to a leasehold arrangement. This department store has set up the production of vacuum cleaners jointly with a FRG enterprise. Now in Donetsk they have started to produce ping-pong paddles that are being purchased by several countries for hard currency."

"Yes, but we are more in need of shoes than paddles."

"These paddles, however, produced the result—the Raduga collective's salary is guaranteed for three years ahead."

By the way, Vladimir Nikolayevich also used the opportunities at the business congress to sign long-term contracts. For instance, one Berlin enterprise will be making garments on order from the Donetsk department store. The final form for this cooperation will be determined this fall in Leipzig. A German company—producer of office supplies—recently presented its products in Donetsk. Forty percent of the income will go to Raduga.

Tolochko is already recognized among department store directors as more or less a number one trader. He is already, as they say, working at full speed. What about the others? And something else: Did the Vinnitsa events live up to expectations?

Right now, there are no large volume purchases in sight. German companies either were offering their goods only for hard currency, or were entering barter deals. Our retail

trade enterprises, with the exception of Ukraine Hard Currency Trading Organization and Raduga, do not have convertible currency. The producers managed to enter some barter deals. Our detergents, crystal, and plastic goods were doing well as barter items... That is, generally items the production of which is considered a pollution hazard.

Well, if we got to the point that we are not able to make our own skillets or socks, we will have to pay for them by ore or by labor in chemical production shops.

At the same time, as it was explained to me, German companies primarily brought goods that are not in great demand on Western markets.

At the expo I met two of our businesswomen from Dne-prodzerzhinsk: Tamara Georgiyevna Mamiy and Galina Ivanovna Nazarenko. Both are deputy directors of the same mechanical plant.

"We make products that are very much needed by our people—small-scale mechanization. Do we have a right to barter it for consumer goods—even as attractive as those displayed here?" their reasoning went. "In the absence of other options, we will barter our machines for domestic-made skillets and socks."

What about the German partners—are they satisfied with the deals? Hardly. The total sum of signed contracts was just over 1 million Deutsch marks [DM]. That is all.

Bettina Baumfeld, representative of the Hamburg garment trading house Ebsen and Esen, said sadly:

"We offer these men's coats—of the kind displayed here—for DM30, and children's coats—for DM18. In our country, it is a very affordable price. They would sell well here, too. Unfortunately, you do not have hard currency."

The Hamburg garment house had attempted to start the manufacturing of these coats at a Kiev factory, but then abandoned the idea.

"Our idea was: We supply the fabric, notions, and patterns. You supply the labor. The result, unfortunately," signed Bettina, "was not what we required. Your seamstresses do not have the right skills. Perhaps, in time..."

Nevertheless, summing up the work conducted in Vinnitsa, Michael Muller, representative of DMA Company, which specializes in organizing international exhibitions, called the results promising.

Specialists from our other republics also derived benefits from the business congress. For instance, a group of participants from the RSFSR decided on the spot to create an Association of Russia Department Stores.

I would like to note the contribution made to this event by the collective of Vinnitsa Department Store, headed by its director V.A. Derevyanko. Instead of the expected 250 participants in the congress, more than 350 arrived; all of them not only were provided with hotel rooms and food (V.A. Derevyanko travelled in advance to a number of enterprises in the oblast in order to buy the needed food

supplies)—the sightseeing of the city and return tickets, and even an evening of recreation, had been arranged for them.

And last. During the press-conference for journalists, somebody said this about the new association: "The baby has just been born; let him get on his feet."

Well, we will be watching it grow with hope.

Soviet Trade Union Delegate Speaks at Mexico City Conference

91UF1161A Moscow *TRUD* in Russian 10 Sep 91 p 3

[Article by *TRUD* correspondent V. Kucherov: "Work Under Market Conditions"]

[Text] What role can and must be played by the trade union movement in the current tumultuously changing world? What is the present and the future of this movement? How is it necessary to defend the interests of the workers under the new conditions that are forming in many countries?

These and other questions were at the center of attention of the participants of the international conference "The Trade Union Movement and Democracy" which was organized by the Mexican Trade Union of Educational Workers. The discussion that developed, which included the participation of leaders from the largest national and international trade union centers of America, Europe, Asia, and Africa, became one of the first serious attempts to analyze processes taking place in the trade union movement at the new stage of world development.

As one may have anticipated the attention of conference participants was riveted to trade union representatives from East European countries, while the appearance by V. Kuz'menok, deputy chairman of the General Confederation of Trade Unions of the USSR created a near sensation.

Reporting that the presidium of the General Confederation of Trade Unions of the USSR adopted the decision to withdraw from the World Federation of Trade Unions, the Soviet representative declared the readiness of the General Confederation of Trade Unions of the USSR to collaborate with all trade unions of the world. He proposed the rejection of all party ideology in order to concentrate attention on strictly trade union interests which could serve as a platform for the amalgamation of various detachments of the world trade union movement. The deputy chairman of the General Confederation of Trade Unions of the USSR recognized that Soviet trade unions brought party ideology to foreign trade unions for many years which served as one of the reasons for the splintering of the international trade union movement.

The representative of the General Confederation of Trade Unions of the USSR spoke frankly about the very serious problems confronting workers and trade unions of our country under conditions when, as V. Kuz'menok said, "the country started on the road toward capitalism." He recognized that in the past Soviet trade unions did not always defend the interests of workers and frequently

served as a tool for suppressing these interests. At present, the speaker stressed, the situation has undergone a radical change.

V. Kuz'menok said that the Soviet trade unions are regarding the future with optimism and have faith in the talent of the people of their country, their strengths, and in the solidarity of the people of labor of the entire world.

President of Mexico Carlos Salinas de Gortari received a group of conference participants—leaders of the main trade union centers in various countries. He expressed the hope that results of the forum "The Trade Union Movement and Democracy" will benefit the organized movement of workers in his country and throughout the world.

In the course of the meeting with the president of Mexico the deputy chairman of the General Confederation of Trade Unions of the USSR noted the value to Soviet trade unions of the experience of work done by Mexican trade unions under conditions of a market economy. He also clarified the position of the General Confederation of Trade Unions of the USSR with regard to the recent attempt at a state upheaval and reported on actions in support of democracy undertaken by trade unions of the USSR in those disturbing August nights.

Russian Firms To Supply Power Generating Equipment to U.S.

91UF1170A Moscow RABOCHAYA TRIBUNA
in Russian 14 Sep 91 p 2

[Telephone interview with Elektrosila Director-General L. Neverovskiy by Vladimir Lagovskiy; date not given: "The Americans Will Be Pouring Water on Our Turbines"]

[Text] As reported by a TASS correspondent in San Francisco, the large American company Magnetic Incorporated announced on Wednesday that it had signed a contract with the Russian enterprises Elektrosila and LMZ [Leningrad Mechanical Works] for the manufacture and delivery of \$3.8 million worth of electrical equipment. Before 1993, they are to produce power generators and turbines for a new hydroelectric power station in Wenatchee, Washington.

Several questions for Elektrosila Deputy Director-General L. Neverovskiy.

[Lagovskiy] Lev Victorovich, do you confirm this information?

[Neverovskiy] Yes, we will deliver one 20-megawatt hydrogenerator to Wenatchee. Then we plan to equip two more hydroelectric power stations with our machinery. We already have the orders. The gratifying factor is that the Americans are buying generators made exclusively of domestic parts.

[Lagovskiy] Is such a deal a gift from fate?

[Neverovskiy] I do not think so. Our machinery has already been working on the American continent for more than 10 years—in Canada, Brazil, and Argentina. During all this time we have not had any complaints. In short, we have earned our reputation by deed and by quality.

[Lagovskiy] Still, what accounts for the interest on the part of the American partners? Can they not equip their hydroelectric power stations themselves?

[Neverovskiy] This is the question we asked at our meetings in the United States, too. Alas, the answer was not in our favor. The Americans are attracted by cheap labor. But since we have publicly acknowledged our backwardness, it does not make sense to make a secret out of this associated factor.

I want to add that Elektrosila is planning to export half of its products. The dollars earned will be used to expand the production of consumer goods. One near-term goal is to set up the production of a new microwave.

U.S. Banking Concerns About Soviet Debt

91UF1169C Moscow IZVESTIYA in Russian 13 Sep 91
Union edition p 6

[Article by A. Shalnev (New York): "Western Creditors Are Worried: Soviet Debts Are on Sale"]

[Text] Soviet debts are on sale in the banking markets of the United States and Britain. The debts are being sold for low prices, sometimes amounting to only half of their nominal value.

So far the transactions have not amounted to much: According to the WALL STREET JOURNAL, debts amounting to around 5 million dollars change hands in a week. According to D. Damrau, a leading expert from the Salomon Brothers financial corporation, however, in view of the Western bankers' worries about the state of affairs in the Soviet economy and political instability, the sales volume is certain to grow.

What is going on? Banks and other financial institutions which once lent money to the Soviet Union now want to stop waiting for Moscow to repay its debts for a variety of reasons. The main reason is the uncertainty that Moscow will be able to do this on schedule. This uncertainty is compounded by the belief that the Soviet Union might officially request the deferment of payments on the debts that now total around 60 billion dollars.

According to D. Damrau's estimates, the USSR's currency reserves, which were equivalent to 14.3 billion dollars in 1989, decreased to 4.9 billion in 1990 and will decrease to 1.3 billion by the end of this year. Damrau is not excluding the possibility that the USSR will have no available currency for the payment of debts next year.

This naturally worries creditors, who can still remember the disaster connected with the Latin American and Polish debts. This is the reason for their efforts to stop being creditors by selling Soviet debts. Their line of reasoning is quite simple: They could lose a great deal on the sale, but they can still get something in return. If they wait, they might lose everything.

Of course, there are banks which are willing to take risks in the hope that the risks will be covered by colossal profits. These banks are buying up the bonds and other securities backed by USSR payment commitments. If the USSR

should be able to pay the debts at some point, the financiers taking these risks will make a large profit: Judging by the present value of our debts, they will make a dollar for every half-dollar they spend—a profit of 100 percent!

According to the data of Salomon Brothers, creditors are now viewing the Soviet Union with even more skepticism than many Latin American countries, including the most chronic debtors. The debts of Brazil, for example, are being sold for 54-84 percent of their nominal value, and the going rate for Mexico's debts is 69-85 percent.

Not all of our debts are being sold at 50 percent of their value. This applies mainly to debts to be repaid in 4 or more years. Short-term obligations cost more: the WALL STREET JOURNAL reported, for example, that the Nabisco Corporation, which had supplied the USSR with cigarettes, sold short-term obligations worth a total of 40 million dollars for 84 percent of their nominal value, but this was in summer, the newspaper pointed out, before the coup. Now the price would be lower.

When I spoke with D. Damrau, he told me that the Soviet Union will probably have to postpone payments on its debts, and he was referring to all of its debts, and not only to some of them. This, according to the economist, will not come as any particular surprise to anyone and will not create upheavals in the world's financial markets. Furthermore, Damrau believes that this will happen quite soon.

Will this affect the prestige of our country and its credit rating? Damrau feels that it will not, because, in his words, "people understand how difficult your present situation is."

This point of view might sound too optimistic, but it was expressed nonetheless.

Meanwhile, Bear Stearns, one of the largest American investment banks, is finishing up an appraisal of the Volga Motor Vehicle Plant so that it can be privatized with investments of foreign capital.

After the value of the giant of the Soviet automotive industry has been determined, we can expect to learn the identity of the foreign investor who has been offered, from what I have heard, from 30 to 40 percent of the stock. Only Fiat has been mentioned so far, but I heard at a press conference on Wednesday that other companies, including American ones, are also interested.

German Business Circles' Fears About Soviet Debt Repayment Described

91UF1170B Moscow PRAVDA in Russian 13 Sep 91
Single Edition p 4

[Report by PRAVDA correspondent A. Stepanov: "You Want Credits, Pay the Debts—This is the Opinion of German Businessmen"]

[Text] Berlin, 12 Sep—The German press reacted to the disintegration of the Soviet Union in a variety of ways, depending on the political bias of each publication. Some reported disinterestedly: "The USSR has disbanded itself"; others could not conceal their satisfaction: "Communism is Dead!"; still others remarked sarcastically that the event

deserves the "Obituary of the Century." And still others reminded us, with typical German pragmatism: Before it ceased to exist, this state borrowed a lot of money from us. Who is going to pay it back now?

And really—who? I recall a stinging cartoon: A sad Russian bear wearing a cap with ear flaps sits surrounded by suitcases holding the borrowed money. Well, the German vault was the biggest—it had \$22 billion in it. Keep in mind that we are talking about bank credits, which also accrue interest, which needs to be paid on a regular basis. Until recently, despite all our difficulties, the reputation of the Soviet Vneshtorgbank [Bank for Foreign Trade] in the banking circles of Frankfurt am Main—the financial capital of Germany—has been rather stable, with no particular problems arising in credit relations. The announcement that starting 1 January next year the Soviet Union will not be responsible for the republics' financial obligations has caused certain fears among some businessmen. Here is the opinion of Horst Keler, state secretary at the Berlin Ministry of Finance, which he offered in an interview to the authoritative newspaper HANDELSBLAT.

It would be regrettable if the perception emerges that the reformers seeking Western aid believe that the responsibility for the debts rests with the old Union, with the communists, with the bankrupt system, and that therefore these obligations need not be paid, believes Keler. Such an approach will inevitably cause financial chaos. The external debt of all 15 republics totals, in the opinion of the German financier, the impressive amount of DM122 billion—of course, these monies are not only borrowed from Germany. How will the republics divide these sad obligations among themselves? This is not entirely clear to anybody here. It does seem that some issues were clarified during the visit of A.N. Yakovlev, who had meetings with representatives of the largest German financial institutions—Deutschebank and Dresdenerbank. In addition, in his conversation with Economics Minister Jurgen Mollemann, A.N. Yakovlev emphasized that the Vneshtorgbank will continue to carry the responsibility for external obligations. He did not indicate, however, until when this arrangement will continue.

It should be mentioned that there are also some financiers who do not consider our country insolvent; they see the root of the problem in the shortage of cash, caused by disruptions in the economy and foreign trade.

A similar point of view was offered by FRG Minister of Finance Theo Waigel. In his opinion our country should first of all help itself; Western help is only the first impulse that may put the economy in motion. To mobilize all the agricultural and industrial resource potential. Nevertheless, he indicated that the issue of the \$100 billion in financial aid which our country recently requested is not on the agenda.

It does look as though our country's reputation as a sound borrower has suffered considerable damage...

Diamond Export Association Official on De Beers' 5-Year Marketing Rights

91UF1170C Moscow *IZVESTIYA* in Russian 16 Sep 91
Union Edition p 5

[Interview with Pavel Kovylin, deputy director-general of the Almazyuvelireksport Association, by *IZVESTIYA* correspondent E. Guseynov: "Soviet Diamonds on the International Market"]

[Text] We are used to the giantism typical of the decisions in the administrative command economy. Nevertheless, even against this background everybody was stunned by the deal signed last year with the company De Beers Centenary whereby for five years it will have an almost complete monopoly on marketing Soviet diamonds on the world market. This deal precipitates a lot of questions to this day. To clarify some of them, an *IZVESTIYA* correspondent met with Pavel Kovylin, deputy director-general of the Almazyuvelireksport [Diamond and Jewelry Export] Association, which delivers Soviet diamonds abroad.

[Guseynov] Let us start with the most important point: How profitable for us is the deal with De Beers Centenary, created by the monopolist of the diamond market, De Beers?

[Kovylin] To answer this question we have to determine for ourselves what our attitude should be toward a monopoly which, although in theory a negative phenomenon, is beneficial for us. The monopoly of the Central Distributors Organization (CDO) in London, established and controlled by De Beers, belongs in this category.

Each type of goods in circulation on the world market has its own specifics. The gold market bears no resemblance to the oil market, and the tin market is different from the grain market. Jewelry-quality diamonds are a very special product. They do not play the role of a universal equivalent, as gold does; they are not goods that are in daily demand, such as fuel, metals, and food. They are very expensive toys, the demand for which—which means the price of which—depends directly on buyers' whims. Which makes the diamond market extremely sensitive to any changes in the world economic situation.

Some time in the past, until the beginning of the 1920's, each news of the discovery of new precious stones deposits, or of a war or economic decline, as well as incessant fights between individual diamond producers, frequently led to the complete collapse of the market and a plunge in prices. To avoid this, starting in 1925 the Anglo-American Corporation [of South Africa], which had established control over the largest South African diamond producer De Beers, united—with the help of De Beers—producers and sellers within the framework of one organization. The largest among the latter was Diamond Syndicate Ltd. of London. Thus, in the beginning of the 1930's, the CDO was born.

The CDO's method of operations is simple. It enters into an agreement with a producer that it will buy at an agreed fixed price all the diamonds the producer wishes to sell on the external market. Then the CDO releases quantities of

diamonds onto the market which not only keep prices from falling but contribute to a constant rise in these prices.

There is no doubt that it is a pure monopoly. Today the CDO handles 85 percent of all jewelry-quality diamonds mined in the world. The effectiveness of its activities is quite high: From 1949 to 1990 diamond prices increased 17.5 times. There was not a single decline in prices.

[Guseynov] There are, however, independent diamond producers in the world; they bypass De Beers channels and enter the market on their own.

[Kovylin] Yes, there are. They are Brazil, Ghana, Ivory Coast, Liberia, Sierra-Leone, and the Central African Republic. Their specific feature is that, as a rule, the share of these countries in diamond mining is small, and they cannot influence the market in a substantial way. For instance, Ghana accounts for 0.24 percent of world diamond output, Sierra-Leone—0.3 percent, and the Central African Republic—0.4 percent. At the same time, all the largest diamond producers in the world work with the CDO; together, they account for about 80 percent of precious stones extraction—Australia, Botswana, Namibia, the USSR, Zaire, and South Africa. They are the ones who have a stake in the stability of the market and prices, even if it is achieved through a monopoly.

[Guseynov] Still, you would agree that the mere fact that, in accordance with the contract signed last year, for five years 95 percent of Soviet diamonds will reach the market only through CDO vaults, is alarming. How competent are these people who with one stroke of a pen gave away such riches for the entire five-year period?

[Kovylin] After the stormy debates in the press on the topic of this already signed deal, a special expert evaluation of its terms was conducted by lawyers from the Vnesheconombank [Bank for Foreign Economic Activity], the Ministry for Foreign Economic Relations, and the USSR Council of Ministers. The contract was found to be written and signed in full compliance with the legal standards applied to such documents, and to be in the economic interests of our country.

[Guseynov] At what prices are Soviet diamonds sold, and who sets the prices?

[Kovylin] Unified prices are set for all producers. There are about 7,000 grades, according to which the diamonds are sorted and evaluated. In the USSR and at the CDO these grades do not always coincide. The prices of stones sold by a particular country are determined on the basis of their quality, which varies between stones from Angola and, say, Yakutia—just like diamonds from South Africa are different from diamonds from Sierra-Leone. Their value fluctuates depending on quality—this is the only factor.

[Guseynov] Do Soviet representatives participate in the evaluation of stones being delivered to the CDO, in particular, large diamonds weighing 10-20 carats?

[Kovylin] Definitely. There is a group of highly skilled experts in London; they participate in the evaluation of

diamonds arriving from our country. As is the rule, special nominal certificates are issued for large stones.

[Guseynov] How do the Almazyuvelireksport specialists see the future system of Soviet diamond processing and marketing?

[Kovylin] Almazyuvelireksport is a division of Glavalmazoloto [Main Diamonds and Gold Administration]. We are involved only in selling diamonds abroad. Other people extract them. I do know, however, that this summer Glavalmazzoloto came up with the idea of turning diamond extraction and processing enterprises into closely held joint-stock societies. In this option the majority of the shares would be put in the hands of the republic on the territory of which these enterprises are located, and in the hands of their labor collectives. The fate of this proposal today, after the swift disintegration of the Union, is unknown. In our opinion it is not expedient to allow the fragmentation of the diamond industry. It is more useful and sensible to ensure a unified technical and economic policy in the extraction, processing, and realization of the diamonds. If we are not able to do this, hard currency losses will be inevitable.[end interview]

This is the point of view of the Soviet diamond traders on the De Beers Centenary deal. I must admit that to me, a person who has more than once written about this deal and follows the situation on the diamond market, it seems to be entirely well-founded from the technical point of view. However, in case of such contracts, and on top of that in the environment of our country, the technical side of the matter is far from the most important. There is also an important psychological nuance. In the West, diamonds as a rule are private property. Therefore, who sells them and how concerns only the producers of these stones. Here diamonds are still considered common property—"the people's property." Thus, even a completely correct deal of this kind will also produce irritation on our part. Because by the mere fact of its existence it seems to emphasize that the fate of such a special product as diamonds—a product that every Soviet citizen, through many years of habit, feels privy to—is being decided by bureaucrats. Even if they are highly qualified. Besides, nobody, including undoubtedly literate dealers from Almazyuvelireksport, can tell at this point where these billions of dollars we get annually in payment for our diamonds goes.

Bureaucratic state secrets of such type are probably coming to an end now. It is possible that the price for this may be the destruction of the old principles of trade—sensible, but irritating, since we apply to it our irritation over the stupidity of the state economy in general. I think this is the focal point of the arguments around last year's deal.

Deputy Trade Minister on Export, Import Activities

91UF1169A Moscow ARGUMENTY I FAKTY
in Russian No 36, Sep 91 p 3

[Interview with Suren Yefremovich Sarukhanov, USSR deputy minister of trade, by correspondent T. Korostikova: "Imports: Who, Where, and Why"]

[Text] *It would have been naive to expect our stores to be filled with goods with the 2 billion rubles' worth of foreign currency the USSR Ministry of Trade allocated for this year, but there was the hope that something could have been bought with the money. To date, however, this hope appears to have been unjustified for many people. Why? This is what our correspondent T. Korostikova asked USSR Deputy Minister of Trade S. Sarukhanov.*

[Sarukhanov] The problem is that the funds we allocated for imports this year exist only on paper. We had contracts, but now the firms are delaying shipment of the goods because they have not been paid. The goods we did have for sale were delivered on last year's contracts.

[Korostikova] Where were the funds for these purchases supposed to have come from?

[Sarukhanov] From export receipts. This is not new: Imports require exports. The export plan, however, is not being fulfilled.

The previous Council of Ministers authorized us to accept goods worth the equivalent of 2 billion rubles in foreign currency on credit, with payment deferred for 2-5 years—1 billion for food and the other for manufactured goods.

We turned first to our traditional partners in Italy, Germany, Holland, France, and other countries. While food purchases remained on last year's level, purchases of manufactured goods were only one-fifth as high. On the whole, proportional imports declined from 10.2 percent in 1990 to 5.6 percent this year. Whereas, for example, we bought 146.2 million pairs of footwear last year, we bought only 43.7 million pairs this year, with respective figures of 10 million and 1.5 million for men's suits, 65 million and 15 million for men's shirts, and 5.9 million and 800,000 for jackets. Our purchases of children's clothing decreased by 20 million items.

We must say that it is extremely difficult to buy goods on credit, even with the guarantees of the USSR Bank for Foreign Economic Operations. We still owe some firms for earlier deliveries. Nevertheless, they are still supplying us with items on credit, because they would also have problems—unemployment, for example.

It is much more difficult to reach agreements with the former socialist countries. In the past, they accounted for 80 percent of our imports. We have no way of paying them, and they are not rich enough to sell us anything on credit. We are in the process of restoring severed ties, and we have received sewn items worth 25 million rubles in foreign currency from Czechoslovakia.

Contracts have already been signed for two-thirds of the authorized amount, but negotiating contracts is only half the battle. Deliveries can only begin after the contracts have been approved by insurance companies. We are now waiting for their decision.

[Korostikova] What if the insurance companies refuse to approve any of the contracts?

[Sarukhanov] The Salamandra firm has already shipped us 1.7 million pairs of footwear, and 10 million pairs of

women's boots have arrived from Italy. I think we will receive 50-60 percent of the goods before the end of the year and the rest in the first months of next year. The supply of food, fuel, and vital necessities is the main topic at all meetings of the Committee for the Operational Management of the National Economy.

[Korostikova] And would you call French perfume and face cream vital necessities?

[Sarukhanov] We have not spent a single kopeck on these goods this year. The items for sale today came from our earlier inventory. Just look at the lines in front of the stores of famous Western firms.

As for food, we have signed contracts for deliveries of dairy products, butter, powdered milk, milk-based mixtures for baby food, tea, and pasta in amounts exceeding last year's orders by 25 percent, and we have bought cigarettes.

[Korostikova] Suren Yefremovich, the union for which you are working no longer exists. How will decisions on import goods be made under the new conditions?

[Sarukhanov] For the time being, we will be guided by the earlier principles of distribution: We will make decisions after considering how many comparable domestic items are produced locally, how many more goods the republic will need after inter-republic deliveries, and what proportion imported goods already constitute in total supplies. We supply the republic with almost none of the items it exports. Imported meat, for example, is sent mainly to Moscow, Central Asia, and the transcaucasian republics, but little of this meat is sent to the Ukraine, Belorussia, and Moldova, because they have their own. The Russian shipments are sent to the army and the troops of the KGB and Ministry of Internal Affairs in regions of the Far North.

As for the Salamandra footwear, the Far North received 700,000 pairs, Moscow received 200,000, and Kemerovo and other oblasts received the rest.

We will be selling goods worth 250 million rubles in foreign currency to enterprises—to those with currency, of course.

Reports on Soviet Gold Transfers Assessed

91UF1169B Moscow *IZVESTIYA* in Russian 13 Sep 91
Union edition p 1

[Article by M. Berger: "Theft of the Century Or Conversion of Suspicions; Western and Soviet Sources Report Huge Secret Operations with Soviet Gold"]

[Text] We recently "imported" the news that gold bars worth around 4 billion dollars were secretly taken out of the USSR during the past year in excess of standard limits. London's *GUARDIAN* newspaper reported this, citing unnamed sources in the English business community. The newspaper also reported that it had been unable to learn whether this large shipment of gold was part of the vanished 12 billion dollars that was rumored to have been transferred secretly from party funds to foreign banks. According to our English colleagues, the current rumors

making the rounds of gold trading circles about the growing unofficial gold leak from Russia suggest that top-level party, KGB, and army officials are amassing their own supplies overseas in case events take a turn for the worse.

Anything can happen in our country, a country of miracles, and it is theoretically possible that vehicles carrying gold may have crossed the border illegally and that the precious metal accumulated in the West. For this reason, the news naturally evoked an emotional reaction from millions of people: Once again, they had been deceived and robbed by the same people who had been doing this to them for decades. The information landed on "fertile soil," because the party, army, and KGB had done enough to make people suspect them of every conceivable and inconceivable transgression. Furthermore, there has been good reason for many of these suspicions, and some have even been confirmed.

Why would anyone not be suspicious after hearing that ridiculously unprofitable foreign trade contracts had been signed "on party instructions" with firms which were known to be closely affiliated with the Marxist parties in their countries, and after learning that billions in aid had been sent for many years to fraternal countries and regions without anyone knowing the exact amounts? Why should anyone not be suspicious when we know that the CPSU actually could dispose of everything in this country at its own discretion, including the gold reserve? Why should anyone not be suspicious when we know that party and other officials in fascist Germany conducted similar operations?

Of course, a spokesman from the public relations center of the USSR KGB told a TASS correspondent, in the best traditions of this agency, that the *GUARDIAN*'s allegations were another attempt to escalate internal political friction in our country. Describing the news item as a "canard," he blamed it on the intelligence community.

In all seriousness, how likely is it that gold in an amount worth 4 billion dollars, not to mention the whole 12 billion, could have been stolen? If the theft had been confined to our own country, it would have been a strictly internal affair and would have been possible but extremely difficult to prove. In this case we are talking about a saturation of the world gold market, and a saturation of such huge dimensions that there would be little chance of total secrecy. At current prices, 4 billion dollars' worth of gold would weigh around 337 tons. In view of the fact that the USSR, one of the world's three main traders in gold, sold 234 tons all last year, according to official data (with an annual output of 200-300 tons), this "Stakhanovian" overfulfillment of norms would have to have had a perceptible effect on the price of the precious metal. In other words, this kind of operation could not have gone unnoticed.

The USSR Bank for Foreign Economic Operations was and is the only government-authorized trader of Soviet gold in the world market. All operations are conducted through this bank, and according to V. Lipanov, deputy

chief of the bank's precious metals department, secret transactions of the scales described in the GUARDIAN report would be virtually impossible. Hundreds of tons of gold could not have been taken across the border without the knowledge of the Bank for Foreign Economic Operations. After all, this is a special commodity, and it is treated accordingly by customs inspectors. This amount of metal could not appear on the market unnoticed. It is true that the price of gold did drop 4 dollars per troy ounce after the secret sales of Soviet gold were reported. This is less than 1 percent. For the sake of comparison, last March a bank in Saudi Arabia put 70 tons of gold on the market at once. The price fell 30 dollars. How could this operation, involving 300 tons, have remained secret?

Deputy Minister of Finance of the USSR V. Sitnin, the official in charge of the trade in precious metals, does not believe this was possible either. Gold is sold, Vsevolod Vladimirovich explained, only by a decision of the Government of the USSR. When this decision is made, the Ministry of Finance opens the store-room, in a manner of speaking, and the Bank for Foreign Economic Operations sells the metal. There are no secret channels whatsoever. Furthermore, as V. Sitnin pointed out, if the ruling CPSU did actually control everything, why would there be any need to hide the gold?

This is a valid question, but it was the party that did have total control, and why should it not put a little away for its own use? We could assume, of course, that the GUARDIAN report is based on certain facts we do not know yet. Until there is some objective proof, however, we have just as much reason to assume that the stories about the abduction of hundreds of tons of gold, about this "theft of the century," are quite similar in scale and substance to the recent statements by recent Prime Minister Pavlov about the billions of our rubles that had been concealed in foreign banks. Now there is talk of billions of our dollars concealed in the same places. This is an example of the conversion of suspicions.

There would probably have been no need to "convert" the accusations if information about the gold reserve, about operations with gold, and even about the place where the gold is kept, had not been such a guarded mystery in our country. The kind of information that other governments do not conceal from their own people could have cleared up any rumors and either refuted them or confirmed them.

Rumors About Secret Gold Exports From the USSR Continue in Japan

91UF1189A Moscow SELSKAYA ZHIZN in Russian
19 Sep 91 p 3

[Report by TASS correspondent V. Golovnin: "Rumors Would Not Die Down"]

[Text] Tokyo, 18 Sep—Despite a refutation from the USSR State Bank, panic rumors about a secret shipment of a large gold consignment from the Soviet Union continue to circulate stubbornly in the Japanese business community. The situation on the Tokyo industrial exchange, which handles transactions involving precious metals, has

been extremely nervous for a week now. As the KYODO TSUSHIN agency reports, some brokers believe that the information about a considerable quantity of gold delivered from the Soviet Union to London before the attempted putsch in August is absolutely trustworthy.

However, there is no exact data on the volume of metal exported. Opinions also differ as to who was behind this operation. In the opinion of a number of brokers the gold was delivered by supporters of the abortive putsch in case they had to flee abroad. Others maintain that a consignment of the precious metal was shipped out "by one of the republics preparing to secede from the Union." The tension on the exchange is further fueled by the continuous expectation that Moscow will dump "tremendous quantities of gold" on the market for the emergency purchase of foodstuffs.

The fever on the world market began on 11 September after a sensational report in the London GUARDIAN that a consignment of the precious metal "worth \$4 billion" had been shipped out of the USSR. The situation improved somewhat after an official refutation by the USSR State Bank. However, prices continue to fluctuate nervously virtually every day in keeping with continual abrupt changes in the situation in the Soviet Union. The USSR has traditionally had considerable influence on the international gold market because it controls 12.4 percent of the world output of gold and produces 260 tons of this metal annually.

The fact that exchange brokers cannot understand how the sale of Soviet gold, which was previously controlled entirely by central Union organs, is now going to be effected underlies the current instability, KYODO TSUSHIN points out. One of the leading specialists of the Tokyo exchange complained in connection with this: "It seems that we are afraid of some invisible ghost. A representative of the large trading company Nissio Imai predicts that the situation is so tense that even an insignificant appearance of Soviet gold on the market may cause prices to crash."

Gold Transfer Rumors Reported Harmful to Soviet Economic Interests

91UF1198A Moscow RABOCHAYA TRIBUNA
in Russian 21 Sep 91 p 3

[Article by TASS Correspondent Vasiliy Golovnin: "The Sensation of the Year? Precious Metal Tickles the Nerves"]

[Text] The recorded spikes of gold prices on the Tokyo Industrial Exchange remind me of the temperature chart of a patient with a fluctuating fever. Already for the second week, the exchange is being shaken by panic rumors about the secret export of an enormous precious metals shipment from the Soviet Union.

Despite official denials by Gosbank, the Ministry of Defense, KGB, and other influential organizations, a number of sufficiently prestigious Japanese brokers are stating as before that they do not have any grounds not to believe this report. In Tokyo, according to evidence of the

Kyodo Tsushin Agency, many people consider absolutely reliable rumors that a large shipment of gold was secretly delivered to the West from the Soviet Union right on the eve of the Band of Eight's August revolt.

At the same time, there is no precise information in exchange circles either on the quantity of the exported precious metals or on who was behind this operation.

The fever on the exchanges began on September 11 when London's GUARDIAN published the sensation that shook the world: "A shipment of gold bars worth \$4 billion has been exported from the USSR." It asserted that these reserves, which, according to experts, total nearly one tenth of all of the gold in the USSR, were initially shipped to Switzerland and then reshipped to England where one of the largest precious metals markets in the world operates. British journalists, citing highly reliable sources, asserted that the bars were exported by conservative bureaucrats of the Party, KGB, and army in the event that democratic reforms compel them to flee abroad.

After the GUARDIAN's sensation, gold prices on world markets fell to the lowest level in the last 11 years. Indeed, USSR Gosbank's denial somewhat helped to improve the situation, however, the exchanges continue to tremble.

Let us recall that, according to Western assessments, the USSR controls 12.4 percent of world gold output and annually produces 260 tons of this metal.

On the Tokyo gold market, the highest prices this year were noted in January when general stabilization of the situation in the USSR appeared. Fateful August 19 caused a drastic takeoff of prices for the precious metals: the putsch in Moscow could have rapidly destabilized the entire situation on the globe. But the revolt was suppressed, discussion of plans for economic and political reform are once again forging ahead in the country, the six months of winter are approaching—and prospects for the appearance on the market of significant shipments of depreciated Russian gold have appeared once again as Moscow's latest stake in the battle for economic survival.

But then again, exchange dealers are even more frightened that they can in no way now understand how the sale of Soviet precious metals will be carried out under conditions of the actual disintegration of the "old" USSR.

"It seems that we are afraid of some sort of invisible apparition," complained one leading Tokyo exchange specialist as a result of this.

Of course, only time will tell if the worrisome rumors about the "secret export of bars" worth billions of dollars correspond to reality. Right now, one thing is clear: All of this trouble has inflicted damage on our economic interests which it is even difficult to assess.

**Pratt & Whitney to Build Engines for Soviet
Airliners**

*91UF1190A Moscow IZVESTIYA in Russian 14 Sep 91
Moscow Edition p 2*

[Interview with Pratt & Whitney Vice President G. Carney by V. Belikov, no date or place given: "American Engines for Soviet Airliners: A Pratt & Whitney Vice President Thinks: This Is a Profitable Business for My Company"]

[Text] A Ministry of the Aviation Industry enterprise major business trip by representatives of leading foreign aviation firms has begun with a visit to the Flight Research Institute, which has been tightly restricted to foreigners until recently, in the Moscow suburb of Zhukovskiy.

For 20 days, the participants of the so-called business tour, organized with the assistance of "Aviaekspert," will become acquainted not only with the models of the latest native civilian and military aircraft but will also see the plants in which they are manufactured.

The organizers of the Volga business tour are not making a secret of the fact that they want to involve foreign entrepreneurs in a mutually-beneficial partnership in the joint production of engines and civilian aircraft. During the last three years, the share of defense production at Ministry of Aviation Industry enterprises has been reduced by one-third and a further major reduction of the volumes of military orders is anticipated in the near future.

What do two of the tour's participants expect from the trip that is just beginning?

G. Carney, vice president of the American engine manufacturing company Pratt & Whitney:

[Carney] Major series production of the new medium range TU-204-200 aircraft is being set up at the aircraft manufacturing complex at the Volga Region's Ulyanovsk. Some of them will be delivered to the foreign market with our engines and flight- control and navigation equipment from Honeywell, the leading American electronics firm. I want to see the entire technological process for airliner manufacturing first hand.

[Belikov] Your company also concluded an agreement with the Ilyushin Association for the delivery of engines for the modernized, wide-body IL-86. In so doing, the first unit of five was provided at no charge. Why?

[Carney] Because we are interested in large-scale cooperation and the most rapid appearance of the refurbished Soviet Airbus not only on international routes but also on the export market. In 2-3 years, we are counting on selling a minimum of 50 of these airliners to Soviet airline enterprises and no less than 300 to other airlines throughout the world.

The planned profit will more than pay for the five "free" engines which will now permit the aircraft to rapidly be produced and certified according to American flight standards. This is a really profitable business for my company!

A. Dondukhov, OKB [experimental design bureau] imeni Yakovlev chief designer:

"I admit that I do not like these tours but this is practically the only opportunity to spend two to three days thoroughly

discussing business deals that interest us with representatives of Israel's aircraft industry. I am understandably not talking about details but I will note that the recently formed Yak concern put the entire aircraft production and sale process together—from the design to the sale for export of passenger, sports, and business aircraft that we manufacture. We want to direct the profits obtained primarily to scientific-research and experimental design work in order not to lose any more altitude.

**RABOCHAYA TRIBUNA Recommends Radio
Liberty Programs**

*91P50287A Moscow RABOCHAYA TRIBUNA
in Russian 21 Sep 91*

[Article by Aleksandr Oskin; "Liberty' Has Come to RABOCHAYA TRIBUNA"]

[Text] Our editorial staff has already been cooperating with Radio Liberty, or more precisely, with its Russian service, for a long period of time. We have repeatedly published commentaries and reports by Radio Liberty correspondents. The director of the Russian service, Vladimir Matusevich, has also been published on our pages. The Radio Liberty correspondent in Moscow, Karen Agamirov, has graciously given us the radio station's broadcast schedule for the week. Allow me to recommend several Radio Liberty programs to our readers.

The latest news is broadcast around the clock on Radio Liberty airwaves at the start of each hour. With slight changes, each day's schedule appears to be about the same. For example, "Roundtable' Conversation" is broadcast on Saturday at 10:10 and 15:15. At 5:30, 10:30, 15:30, and 22:30, there is "Over the Barriers." "Events and People" is at 4:10, 7:10, 8:10, 9:10, 11:10, 12:10, 13:10, 14:10, 17:10, 18:10, and 23:10. "Jewish Culture and Social Life" is on at 1:30 and 6:10. At 2:30, 7:30, 12:30, and 17:30, "Christian Russia—The Second Millennium" is on.

Some shows are regionally oriented. These are programs like "Baltic Beacon" at 22:10 and "The Fates of Siberia" at 5:10 and 16:10. From those shows broadcast several times a day on Saturday I would also name the following: "At the Newspaper Kiosk," "Russian Thought," and "Man and Society." On Tuesdays, "Broadway 17-75" is broadcast four times a day at 1:10, 6:10, 11:10, and 16:10. This program is an entertainment one which is oriented towards young people.

"Sunday Worship Service" is broadcast on Sundays at 6:10. Culture and sports occupy many of the slots in the schedule. I hope that in the future we will inform our readers about the Radio Liberty programs in more detail.

The main slogan of the Russian service of Radio Liberty, which the announcers regularly repeat on the air, is as follows: "We conduct broadcasts in Russian in the interest of the free exchange of information, for this exchange facilitates the strengthening of peace and mutual understanding between peoples."

UK Ponders Economic Effects of USSR Breakup

91UF1173A Moscow *PRAVDA* in Russian 13 Sep 91
Single edition p 4

[Article by PRAVDA Correspondent A. Lyutyy, London, September 12, 1991: "Will the Republics Follow: The Economic Aspect of the Separation of the USSR"]

[Text] London, 12 September (PRAVDA Correspondent). Britain, which experienced the collapse of its own empire in this century, is observing the collapse of the Soviet Empire with mixed feelings of interest, understanding and watchfulness. While citing the opinion that the formation, structured not so much on voluntary participation as on compulsory and ostentatious unity, had to crack, local correspondents fear another extreme—this centrifugal movement which will cause instability in Europe and will result in economic losses for the republics themselves.

They are paying particular attention to the economic aspect of the existence of the new community. How independent do the republics intend to be in the economic aspect? How fragmented and severed will the ties, which were built over decades and centuries, turn out to be? Practically all serious British experts are convinced that ultimately economic union is inevitable. Total independence of a republic taken separately appears to be absolute utopia in our time. For example, this is how the TIMES newspaper Commentator Anatol Kaletskiy predicts the situation: "The republics will possibly play at being independent for a certain period of time. But, after the constitutional choppy seas are stirred up, the Soviet Union will be reborn as an enormous multiethnic state."

Some of Kaletskiy's colleagues in the British Isles cannot agree with him but they have no doubt that the need for economic commonality will prevail over emotions. The too deliberate parallels that are occurring in our country between events in the Union and the collapse of the British Empire have been perceived here not without condescending amazement: they say, you have gone your separate ways and you are living like individual sovereign states. A small detail is not being taken into account: if the British Empire's components were scattered to the various corners of the earth, the parts of the Soviet Empire are connected on one territory.

The British experts think that the Baltic states are in a much preferred situation: on the credit side of their ledger, they have an extremely favorable geographic position and a higher degree of industrial development. If the Baltic Region can trade directly with Western and Eastern Europe, then such regions as Central Asia and Armenia do not have access to the sea and are compelled to rely on railways that pass through Russia for ties with the outside world. Is it worthwhile for them to cut these vital arteries?

The factor of cheap subsidized oil which is pumped, say, in Tyumen and delivered throughout the USSR, is frequently counted in economic calculations. If Russia begins to conduct transactions with the republics at world prices and then again in hard currency, the payment burden will certainly be heavier. ECONOMIST magazine cites the reasonable statement of Estonian State Bank Chairman

Reyn Otsason: "Russian oil can be sold at world prices and for hard currency but we still cannot sell our industrial goods and agricultural products at world prices or for hard currency."

The previously mentioned Commentator Kaletskiy also touches on another type of subsidy which the republics have taken advantage of—transportation. He cites as an example: "A housewife in Georgia can pack three of four sacks of peaches, buy an Aeroflot ticket, sell the peaches on the Moscow market, and return to Tbilisi with a small profit." But if there are no subsidies and Russia raises the payment for its lines of transportation? "At best," writes the economist, "the republics of Central Asia will enjoy the same economic independence from Russia that Botswana, Lesotho, and Swaziland enjoy with regard to the RSA [Republic of South Africa]. Armenia, which is surrounded by the hostile Muslim populations of Azerbaijan, Iran and Turkey, but which has potential access to the Black Sea through Georgia, will find itself in a just slightly more favorable position."

Having become independent, the Baltic states are counting on the economic assistance of Scandinavia and the European Community. For example, at the present time negotiations are being conducted for Britain to return to the Baltic states gold—or some sort of compensation—that was placed in safekeeping in the Bank of England in 1940. These gold reserves must become one of the supports for each of the Baltic countries' new currencies. But experts think that the creation of separate currencies along with new tax and customs systems, despite the relative economic prosperity of the Baltic Region, will inevitably result in ballooning budget deficits. For example, here they cite European Community Commission research conducted in December 1990 that calculated that this deficit in Lithuania will total 43 percent, and, in Moldavia, 49 percent of the gross national product. And this means that the populations of the seceding republics will have to tighten their belts just like each East European country had to after their departure from the Soviet system. Polish hyperinflation still appears to be paradise to them.

None of the British political scientists or economists doubts the right of any Soviet republic to totally leave the Union and proclaim their economic independence. But the common sense that is inherent to the British must be in everything. What is reasonable and rational is that they should transform and develop, save and use what they can from the old system. All of the participants of the former Union cannot get by without the need to cooperate in the future.

FRG Debates New Role for Bundeswehr

91UF1172A Moscow *PRAVDA* in Russian 16 Sep 91
Single edition p 4

[Article by Retired Major-General Ye. Nozhkin and PRAVDA Special Correspondent L. Strzhizhovskiy, Bonn—Moscow: "Where the Bundeswehr is Heading: The Darmstadt Meetings"]

[Text] Kamo gryadeshi—where are you going? The traditional question of the ancient peasantry is acquiring not only the generally known sense in Europe today. Right now this problem is both moral and political. What will the Bundeswehr be like, which way is NATO heading, and by which paths will we achieve European security under current conditions? There are quite a few questions but all of them are reduced to one: how will a united Europe, which the Soviet Union is becoming an integral part of, peacefully develop?

When you talk with the residents of Darmstadt, a quite coherent peace program arises from their words. But the problem of NATO concerns them, like everyone else in Germany.

"Naturally, NATO cannot remain like it was before," said Bundestag Deputy, Free Democrat Olaf Feldman. He is involved with disarmament issues and knows Eastern Europe thoroughly. Olaf was born in East Prussia, lived in Poland and the GDR [German Democratic Republic], and now sits in the Bundestag.

"NATO is reducing its military potential but is increasing its political influence. Yes, it has lost its primary enemy but it nevertheless remains a stabilizing factor in Europe. And the Soviet Union should not object if its former allies join NATO. I think that this is the only correct political path. It is closely tied to support of President Gorbachev's policies. I am a Gensherist...."

This new term which we heard for the first time is prevalent in Germany. However, like any political definition, it requires deciphering which is difficult. But, perhaps we have grasped the main thing: it is a question of the approach to the interpretation of European security. It is understood only in combination with support of the perestroika process and is envisioned as the preservation of the Soviet Union as a strong and stable partner.

Another Bundestag Deputy, Social Democrat Hernot Erler finally helped us to understand it. A pleasant surprise: Hernot speaks Russian, more accurately, he specially mastered the language. He is a member of the Bundestag Defense and Foreign Policy Committee, chairman of the SDPG [German Social Democratic Party] working group, and "is observing the withdrawal of Soviet troops from Germany." You do not often meet such an approach to business. His opinion is all the more interesting:

"I see many problems in disarmament. The diplomats are concluding treaties and we must fill them with content. It is easy to say: let the soldiers go home. They can still find a place. But what do you do with the barracks and military garrisons and with all of this enormous property—both yours and ours. Conversion, military and ecological, is a new problem.

"Yes and the formula itself 'Everyone go home!' is quite difficult. Much depends on the mood with which Soviet soldiers return to the Homeland. What they will leave here, in our country, and how they will build homes. I have close contact with Soviet General Burlakov and I know how difficult it is for you."

We are meeting a German for the first time who is thinking about the "psychological climate" among the Soviet military. The new thinking actually encompasses both the Bundestag deputies and all of the problems that they are examining here taken together. We need to note that the Bundeswehr's role and its future appears to be quite hazy to our interlocutors for the time being.

"We must find an adequately realistic role for the Bundeswehr in the future," said Erler. "Not only in the matter of the defense of the Homeland but also in the framework of the defense of all of Europe. The time has come to stabilize NATO's European flank. To make the army flexible and mobile and to extract lessons from the Persian Gulf War."

With all of the ambiguity of the future reforms, there are positions on which the politicians and military converge. With the unquestioned preservation of NATO, they admit that the alliance's center of attention is being transferred from maintaining the former world to building the new world. Another architecture of European institutions based on dialogue, trust, and cooperation is needed to do this.

We do not want to build a Europe that confronts the Soviet Union, they told us. We need a peaceful continent and we expect and hope that your country will henceforth continue to progress on the path of reform, seek cooperation, and respect the sovereignty of other peoples....

We obtained a surprising recipe for creating a peaceful Europe from German Brigadier General Winfried Fogel. He occupies the high post of Deputy Chief of the Military Training Directorate in the Bundeswehr and he has 35 years of uninterrupted service behind him. Accurately speaking, Fogel has served in NATO since the day it was founded and covered the entire thorny path of the Cold War. We will once again use the words "for the first time" because we actually heard the brigadier general's thoughts for the first time. The energetic, lively Fogel, in a well-tailored, steel-gray uniform with its Bundeswehr badges and regalia, accepted our invitation to talk with us. In the Dlinnyy Oygen [Long Eugene] (that is what they irreverently call the building in which the Bundestag is located), on the 29th story the waiters turned out to be not particularly competent (just like ours at home) and we talked to our hearts' content with the general.

"A man adjusts to everything and a soldier all the more so. There have been so many such changes in my memory," said Fogel. "The postwar split of Europe overshadowed former stereotypes but I well remember how my father repeated to me: 'Don't you dare forget—our primary enemy—France. You will have to fight her again.' Today we have cordial, friendly relations with the French. It did not take so many years to do this.

"Remember the historical positions that are nearer to us in time—the Brandt-Sheel government's new 'Ost Politik.' Soldiers accepted it far from immediately. But Ost Politik paved the way for the current changes. And I frankly

rejoice that there are not only summit meetings but also that you and I have the opportunity to simply sit at the same table.

"Europeans' trust of one another came through NATO," he said. "When I commanded a battalion, our neighbor was a French unit. We exchanged visits of commanders, conducted joint firing practice, and moved into each other's barracks. I was known in French villages and I fell in love with the wonderful southern vineyards. Later when I was at maneuvers as the representative of the Bundeswehr delegation, we, representatives of the European nations, lived like one big family. The question of which language to speak, whose newspapers to read, or what dishes to prepare never arose. Ties were created at all levels and everything moved by itself. Our defense task became truly international. The NATO Alliance developed into an internally and externally stable alliance. I do not see any reason to disband NATO."

The path to "internationalism" proposed by the general merits attention. A similar experience of "comrades in arms" also existed among the Warsaw Treaty participants. It would be interesting to know, in what forms are its roots preserved now?

The frankness of these conversations permitted us to pose questions which in another situation would have seemed to be tactless. Those questions which are now discussed only among "our own" and responses to which normally hang in the air.

"Will it not turn out that a united Germany will demand the return of Kaliningrad Oblast, that is to say, East Prussia, in two to three years?"

"Today, that does not enter into anyone's mind," answered Deputy Feldman.

"The fear exists that a powerful united Germany and its armed forces with time may present a threat for European countries. Is this so?" we asked General Fogel, as they say, "head on."

"This fear is quite explicable in an historical context," he answered. Especially on the anniversary of June 22. Therefore, steps are being undertaken to dispel them both in politics and in the military sphere. The Bundeswehr is being reduced to 370,000 soldiers, including servicemen of the former GDR [German Democratic Republic] army. The number of military facilities is being reduced. The Bundeswehr remains a part of NATO as before but the politicians and military personnel are now defining its new missions."

Direct questions and just as direct responses. There is no reason to doubt their sincerity and veracity. All the more so since disarmament has already begun on German soil. The first conversion steps convince us of this. The processes are similar in both countries. And being aware of their painfulness in our country, I was particularly interested in the German experience. We became acquainted with it at the Honeywell Concern.

The surprise lay in wait from the first steps. The excellent admissions system. The polite request to surrender our cameras. Through the comment that was dropped that a year ago "Russians would not have been permitted anywhere near here." Why? The enterprise in Frankfurt is one of the affiliates of the American transnational Honeywell Corporation that encompasses the entire world. It specializes in the production of electronic and heat equipment and many other things.

Oh, this German pedantry. We saw detailed diagrams on which were beautifully drawn laser and navigation devices, infrared night vision systems, fire control systems, mine detectors, and many other things. It was specially pointed out that equipment is also being delivered to the Soviet Union. Nearly every one of their "military toys" had a peacetime counterpart. Some of them had been previously planned and others were being developed as promising directions: for example, the peaceful application of ultrasound.... A headquarters has been created at the enterprise to transfer military know-how to peaceful production. The approach is pragmatic—to carry out conversion before others and to be successful in markets before their competitors are.

Naturally, we were not received at Honeywell by chance. The Darmstadt residents had long ties with the enterprise's production council—at one time they jointly participated in the Easter processions. So the soldiers were acquainted with the workers and they had found common interests.

When the Cold War was in full swing, the well known German Philosopher Karl Jaspers in his sensational book "Kuda dvizhetysa FRG?" [Where Is the FRG [Federal Republic of Germany] Heading?] legitimately expressed fear for the peaceful fate of Europe. Today, the European peoples look to the future with confidence. But questions like—what will happen to NATO and where is the Bundeswehr heading?—pose themselves both in the West and in the East. Confrontation between our peoples have always been destructive when cooperation resulted in mutual benefit. When he said goodbye, General Fogel wished the Darmstadt residents that they would "remain without work." We would like to think that it is a question of not only Bundeswehr soldiers and officers from the Darmstadt Garrison.

Talks With Germany on WWII Reparations Viewed

91UF1194A Moscow IZVESTIYA in Russian 20 Sep 91
Union edition p 6

[Article by IZVESTIYA Correspondent Ye. Bovkun, Bonn: "Trust the Germans but Do Not Make any Mistakes Ourselves: Once Again on Compensation for the Victims of War and Terror"]

[Text] I must confess to my readers. At the beginning of March (IZVESTIYA No 57), I promised to soon inform them about the results of talks between the departments of foreign affairs of the FRG [Federal Republic of Germany] and the USSR on possible compensation to Soviet citizens who were victims of Nazi crimes during the war. I did not

manage to carry out my promise. Experts actually conferred during the spring and later at the beginning of July. The next meeting had been scheduled for September and now it has been delayed even further, obviously, to the end of the year. Did they manage to achieve some sort of agreement?

The talks were conducted behind closed doors. In these cases, diplomats do not like to submit their content to publicity beforehand. I was unambiguously made to understand this at the Soviet Embassy in Bonn and at the local MID [Ministry of Foreign Affairs]. However, it is easy to figure out that the sides' positions substantially diverge. Let us attempt to sort out these contradictions.

The Soviet side is of course primarily guided by the requests of Soviet citizens whose health was ruined in German concentration camps or during forced labor and who are demanding material compensation for this (many letters of this type arrive at the IZVESTIYA correspondents' offices in Bonn). The war victims in the Soviet Union reinforce the legitimacy of their claims with references to the well-known precedents of the payment of lump-sum monetary benefits by the FRG government to citizens of other states.

Despite the rejection of reparations, Moscow has also previously raised the issue of compensation. But there were even fewer chances for a compromise solution during the Cold War years. Moreover, our official idea on the very category of "war victims" was narrow. It covered Nazi concentration camp prisoners, primarily victims of inhumane pseudo-medical experiments.

In so doing, they thought to a lesser degree about prisoners of war who were compelled to work at German military facilities, contrary to the international convention. And those who worked as farm laborers on German estates during the war were generally considered for a long time to be traitors.

Many of them became disabled and they now receive pensions which are not enough to make ends meet with current inflation. It is practically impossible to prove that their illnesses are the result of hard labor.

"No one issued me documents on my stay in Germany and who needed them at that time," writes L.K. Zavgorodnaya, a pensioner from Kiev and a group two disabled person who was sent to that foreign land for 16 years against her will. "When I returned from Germany, a single mention of this caused me to be refused work."

Yu.D. Mendrin, a group one disabled person from Donetsk who was sent off for 17 years, states that according to Soviet law he does not have the right to any type of benefits whatsoever, even to a pension, since he does not have sufficient length of service.

Many readers are demanding that the interests of former juvenile prisoners of Hitler's concentration camps be considered.

And where do we refer those who returned home from German camps with illnesses and injuries but who had not

been in Germany? V.N. Martynenko from Odessa writes: "Our incompetent government built a state that has now collapsed like a house of cards, without thinking about the fates of the former prisoners of those camps that were on the territory of occupied Ukraine, Belorussia, and Latvia." From whom can they obtain compensation for their suffering and humiliation?

Can we consider the children who were left orphans as victims of the war, asks Ye.M. Goriya on behalf of her brothers and sisters. The four of them were left after their father died somewhere in Poland in 1944 and the Germans shot their mother for ties with the partisans.

We recall those people who experienced "humaneness" in the Soviet GULAG. Among them were quite a few "returnees" from Germany who did not pass the NKVD's [People's Commissariat of Internal Affairs] strict inspection and were labeled "accomplices of the enemy." The majority innocently suffered and were rehabilitated. But the matter did not reach compensation. It is finally time to also raise the issue about responsibility of native organs in accordance with whose orders Poles and Germans were deported to the Soviet Union.

The authors of the letters to the IZVESTIYA correspondents' office complain that they have sent requests to the German Embassy in Moscow and to the Soviet Ministry of Foreign Affairs but they have not received answers. It is hard to say on whose conscience this is—the diplomats or our post office that operates haphazardly as we all know. I think that these people will nevertheless obtain the address to which they should send their requests for compensation. But for the time being, let us ponder the moral and legal aspect of the problem.

Is Germany obliged and is it capable of satisfying the claims of all of the victims of the last war who live in the Soviet Union? There are tens if not hundreds of thousands of them.

It is as if Germany does not have a legal obligation. Compensation to individuals who were victims of the Nazi regime's persecution, including foreigners, has been paid and is continuing to be paid. I discussed the grounds on which this is being done in the article mentioned above.

I will add that citizens of foreign states enjoy this right only in those cases when the appropriate agreement has been concluded with Germany. During the interval from 1952 to 1962, treaties were signed with England, Belgium, Denmark, Israel, Spain, Norway, France, and Switzerland for payment of various sums from 3.5 billion (Israel) to 15 million marks (Denmark).

In June 1960, a legal resolution dated July 1951 on payment of lump-sum benefits to victims of "medical" experiments, with the exception of those cases that were the subject of separate FRG agreements with a number of states, was also extended to citizens of those countries with whom the FRG did not maintain diplomatic relations in 1951, including Poland, Czechoslovakia, Yugoslavia, Hungary, and Romania. The Ministry of Finance and the inter-ministerial committee satisfied thousands of claims.

There is no agreement which would determine the size and nature of compensation to citizens of the USSR for damage the Nazi regime caused them. It also could not be since Bonn politicians always tied signing this document with the need to conclude a peace treaty with Germany.

There are a mass of legal complications in the series of questions being discussed. For example, at the Nuremberg process driving people away using force and forced labor were classified as an unlawful act of the Nazi regime. In 1953, the government of the FRG managed to assert a different definition (in the London Agreements on debts), having established that this violation comes under the right to reparations. Talks on reparations were made dependent on signing a peace treaty. Much is contradictory as before with regard to the fates of the former "Eastern workers." At best, they can, it seems to me, individually submit petitions to the social departments on receipt of pensions (if they have the insurance policy which each foreigner who worked in Germany during the war formally signed, including forcibly).

I am already not talking about the difficulty of considering the interests of various categories of our country's population who directly or indirectly suffered from the Fascist regime during the war but primarily—victims of medical experiments, the disabled, and pensioners who are materially poorly provided for. But as for creating general legal prerequisites for them to receive compensation, all the more so since the German side is proceeding based on the completeness of the process as a whole of the FRG paying for the crimes of the Nazis as the successor of the German Reich.

Those readers who think that we can force Germany to pay for old scores are deceiving themselves. "The FRG helps Israel so that it can be well-armed to kill the Palestinian people. Let them return to their obligation to the slaves from the USSR," demands Ye. N. Krivulya from Kremenchug, for example. For the sake of restoring the truth, I remind Ye. N. Krivulya that the FRG helped the Jews living in Israel after the war as former victims of the Fascist Terror. As for the assistance extended to Israel by Germany last winter, it was motivated by the consequences of Iraqi aggression. Let us recall the rocket attacks against peaceful cities.

To my great regret, it is hardly worth tying excessively optimistic hopes with Bonn's capability to satisfy the claims of all of the numerous war victims in the USSR. All the more so since the son does not answer for his father. The current generation of Germans is being raised in the traditions of humanitarianism and their morals are being formed under the influence of the principles of a democratic rule-of-law state. Just the feeling of the moral, not legal obligation is prompting them to render humanitarian, economic, and other assistance to various peoples.

So, what, can the sides not resolve the contradictions? Hardly. Germany is ready to examine the problems of compensation from the position of good will. The decision has not yet been made but obviously it can be a question of founding a joint fund from which victims of the war in the

most serious cases could be paid compensation. The creation of this jointly financed fund would also permit several legal complications to be resolved.

The victims of the war should not be consigned to oblivion. But we need to be realists and remember that it would be good for us to manifest humanness toward our own countrymen before demanding this from our neighbors.

German Territorial Claims Against Poland, CSFR Foreseen

91UF1194B Moscow RABOCHAYA TRIBUNA
in Russian 20 Sep 91 p 5

[Article by Vladimir Silkin under the rubric "A Commentator's Notes": "Will 'Drang nach Osten' Repeat Itself?"]

[Text] The problem of German mutual relations with its Eastern neighbors remains one of the key factors of European politics. It is well known that the history of these relations is complicated and at times even tragic. The Drang nach Osten Doctrine (Charge to the East) that had been cultivated over the course of centuries was engendered by a multitude of wars and conflicts whose consequences have not left us even today. We can recall that, although the September 1, 1939 attack on Poland laid the foundation for the Second World War, it was carried out within the framework of precisely this Drang nach Osten. It would seem that history has once and for all put an end to this doctrine, however, there are people who, alas, even today are attempting to resurrect it, having forgotten the lessons of the past....

Unfortunately one can become convinced that this is timely while analyzing the course of German-Polish and German-Czech agreements on good neighbor relations and cooperation. At first glance, the situation is utterly simple: a united Germany must continue the FRG's [Federal Republic of Germany] eastern policy which is based on equality, respect of its neighbors sovereignty and territorial integrity, and the success of the negotiations and tranquility in the East European regions have been guaranteed. However, this simplicity suits far from everyone....

Recently, political forces have been increasingly making themselves known in Germany that are attempting to act using the old methods. Friendly associations which speak from revanchist positions are setting the tone. We need to recall some history in order to better understand the logic of their actions.

As we all know, after the end of the Second World War, the German population that lived in the western areas of Poland and Czechoslovakia—the so-called Silesian and Sudeten Germans—were forcibly resettled to Germany and the property of these people was confiscated. One can hardly consider such actions with regard to entire peoples to be just, despite the fact that many of the Silesian and Sudeten Germans cooperated with the Fascists. We can also recall that allegations of "oppression of the German population" were actively used by the Hitlerites in a propaganda context and ultimately resulted in the occupation of Czechoslovakia....

Fears that history can repeat itself torment the residents of Poland and Czechoslovakia even today. Say, the leaders of the Union of the Exiled (Silesian Germans) and the Friendly Association of Sudeten Germans sleep and in their dreams they see a review of postwar agreements and borders and demand compensation for the damage inflicted. Relying on the support of certain West German politicians and lobbyists in the Bundestag, they even attempted to torpedo the Polish-German and Czech-German negotiations on normalization of relations. Specifically, the Union of the Exiled opposed recognition of the Oder-Neisse borders, basing this on the fact that Germany is "losing its age-old lands" and the Germans—"the right to their homeland." But then again, their efforts turned out to be futile and the Polish-German Treaty on Good Neighbor Relations and Cooperation was signed last June.

Another situation is developing surrounding the signing of a similar Czech-German Treaty. Practically all controversial issues were resolved during the course of the four rounds of negotiations that took place. It was assumed that the prepared documents would be signed this summer. But the German side has unexpectedly submitted new proposals. Bonn is proceeding based on the fact that the Czech and Slovak Federal Republic [CSFR] must recognize as juridically illegal the resettlement of the Sudeten Germans and compensate for material damage. Experts think that 140-160 billion West German marks will be required to do this! FRG representatives insist on recognition of the Sudeten Germans' right to return to their homeland and that they be offered the opportunity to freely invest their capital in the CSFR. It is easy to guess where this is leading—the economic and financial expansion of German capital will begin which will pose a threat to Czechoslovakia's economic independence.

The CSFR has counterclaims against the FRG. They consist of the fact that Germany must compensate for damages during the occupation and for the forced hiring and hard labor of 280,000 Czech citizens during the war and recognize the Munich Agreement as void from the date it was signed.

Czechoslovakia's proposal to settle the controversial issues through concessions and reciprocal payment of financial claims has not found understanding on the German side.

The dead end situation in the Czech-German talks worries CSFR political circles and the mass media. RUDE PRAVO newspaper does not tire of stressing the absurdity of the Sudeten Germans' property and legal claims and is calling on the government not to make any concessions. MLADA FRONTA DNES has accused the communists (RUDE PRAVO) of political intrigues and of striving to play the nationalist card. According to Czech Historian Ya. Krshen, "Czechoslovakia is the weakest link among Germany's neighbors and therefore they will try to realize their hegemonic plans on it."

No matter what your point of view, the changes in the FRG's position at the talks with the CSFR and the demands it has set forth can be evidence that Bonn is

beginning to change its foreign policy strategy while attempting to talk with its East European neighbors "from a position of strength." Life will show how legitimate that assertion is. However, no one doubts that the "Drang nach Osten" Doctrine must in no way find new blood.

Swedish Prime Minister-Designate Profiled

91UF1194C Moscow PRAVDA in Russian 20 Sep 91
Single edition p 5

[Article by A. Boldinyuk: "Carl Bildt: Portrait in the Background of the News"]

[Text] Carl Bildt, leader of the Moderate Coalition Party, has been tasked to form the new government of Sweden. This generally routine event is being assessed by many observers as the beginning of a new period in the socio-political life of the largest Scandinavian country. A coalition of bourgeois parties is coming to power after the disastrous defeat of the Social Democrats during the parliamentary elections which occurred last Sunday.

Sweden's new prime minister is not a novice on the Stockholm political scene. Although Carl Bildt is just 42 years old, he has occupied the highest posts in his party for nearly 20 years. The wunderkind of politics, who had already led the conservatives in 1973, is descended from an ancient gentry surname. One of his ancestors was prime minister of Sweden at the end of the 19th century. Carl Bildt fulfilled the duties of states-secretary in the bourgeois cabinet that ruled the country at the end of the 1970's and the beginning of the 1980's. After the Social Democrats returned to power in 1982, he became the permanent leader of the opposition.

During this time, the young politician acquired a reputation as a fierce critic of all steps undertaken by the ruling party. This was primarily concerned with domestic economic problems. Bildt is known as an opponent of the "Swedish Model" of development which is characterized by the state's broad participation in the economy and a system of social guarantees based on extremely high taxes. The leader of the conservatives is counting on personal initiative and the release of entrepreneurs from state control. We need to say that the number of supporters of the Social Democratic model in Sweden has noticeably declined in recent years—the standard of living in the country has not risen, taxes have increased, there are more bureaucrats, and the crisis in housing construction, public health, and education has become chronic. Under these conditions, the opposition leader's appeals for reform of the existing system have fallen on propitious ground. Bildt sees the future Sweden in modernizing the market economy, intensifying business activity, and having the country join the European Community.

And in the sphere of foreign policy, Bildt caused quite a few worries for the Social Democrats. His biting statements regarding violations of Sweden's territorial waters by Soviet submarines are particularly well known. Then Prime Minister Olaf Palme even accused him of undermining Swedish neutrality when the opposition leader

established close contacts with the Pentagon and informed the Americans "about foreign military activity" off the coast of Sweden.

However, many see the conservatives' weakness precisely in the conservatives' consistent opposition. They have not yet advanced a persuasive alternative to the Social Democratic model that has become deeply rooted in Swedish society. Having obtained just an insignificant advantage in parliament, the bourgeois coalition headed by Carl Bildt must not only overcome disagreements within its own ranks but also seek agreement with the "New Democracy" Party on whose support the stability of the new cabinet now depends.

Although the new premier does not have Olaf Palme's international fame or Ingvar Carlsson's ability to compromise, the hopes of many Swedes for the improvement of the socio-economic situation are on Carl Bildt's side. His rich political experience also speaks in his favor. Carl Bildt is married to the daughter of Esty Buman, who led the Swedish conservatives for many long years.

Swedish Service Stations To Open in Estonia

*OW2409193391 Moscow BALTFAX in English
1340 GMT 24 Sep 91*

[Following item transmitted via KYODO]

[Text] The Swedish firm "Svenska Statoil" is beginning to implement a program for building an alternative network of petrol and service stations in Estonia, BF's [BALTFAX] correspondent reports from Tallinn. Under the program in the next 5 years 15 Western-style petrol stations will be opened in Tallinn, in other Estonian cities and on major motor roads. The first 2 stations will be opened in 1992.

Oil and oil products will be imported in Estonia from Sweden and Norway. Oil extraction is carried out by the Swedish company in the Norwegian Sea.

BF's correspondent points out that the emergence of "Statoil" in Estonia's market signifies the beginning of its competition with the Finnish company "Neste Oy" which has already opened 2 petrol stations in Tallinn, and which will conclude the building of two others: in Parnu and Narva, in the near future. Besides, "Neste Oy" intends to build together with "Eesti Kutus" (Estonia Fuel) an oil terminal in Tallinn's port Muuga.

Shatalin on Cooperation With East Europe
914A1157A London AL-SHARQ AL-AWSAT in Arabic
4 Sep 91 p 3

[Article by Sami 'Amarah: "Academician Shatalin: Gorbachev's Replacement Unacceptable. We Have Introduced a Plan for East European Common Market"]

[Text] In an interview with AL-SHARQ AL-AWSAT, academician Stanislav Shatalin, former member of the Presidium and a senior economist who, for a long time, worked as an economic advisor to President Gorbachev, said that the most difficult stage of the Soviet Union's evolution is yet to come. He added that the current slump in the national economy calls for the prompt adoption of the most radical and decisive measures.

Shatalin disclosed that the economic group, which he heads, has introduced a plan that can include the Baltic republics and the East European countries as well. He also said that he had talked to the ambassadors of some of these countries and to the representatives of the Soviet republics, save for Moldova which may join the group at the prospect of a common market similar to the European market.

In reply to a question we asked about whether these economic measures are meant to reunify the Soviet Union, Shatalin said that "reunification cannot come about through economics alone. Furthermore, the word 'union' has become a trite expression because it has become devoid of substance. Therefore, let us call it the community or the group! What we are broaching, however, is an entirely new thing. Witness the 'socio-economic reform fund' project which I chair."

Shatalin showed us a copy of his plan that had the signatures of 14 representatives of the Soviet republics, save for Latvia which, he said, was the only one absent. Shatalin stressed that the signing can take place in any Soviet or East European capital.

The Soviets and the Baltics

We asked about the form of potential relations between the Soviet republics group and the Baltic republics, whose independence may be recognized by the Presidium that is in session in Moscow.

Shatalin answered, saying: "All forms of cooperation are appropriate and it may be possible to sign agreements concerning these issues, including with the countries that are outside the sphere of agreements already introduced, so long as they are not detrimental to the interests of others."

We asked once again about the probability of achieving this amid the conservative right's waning influence following the failed coup attempt. Shatalin said that it was naive to think that the conservatives have left the arena.

"It is impossible for all the conservatives to leave. Ten or tens of adventurers may have left, but this does not mean that the influence of the remaining flock is waning."

Our next question was whether the 500-Day program drafted last year by Shatalin and Gregory Yavlinski could still be implemented?

Shatalin pointed out that that was an illusion, given the fact that the circumstances are different and it is too late.

People's Deputies' Conference

We changed the subject and asked about what kind of hope he was pinning on the People's Deputies' conference that began its second day yesterday. Shatalin said that he hoped the conference would conclude its work quickly and adopt all the necessary resolutions so that the experts may devote their time to their work.

Asked about President Gorbachev's future, Shatalin said that "the replacement of the president of the Soviet Union is unacceptable, and I know that this is a demand the conservatives are trying to fulfill.

"I hope that this predicament can be avoided because the adventurers in this group are capable of anything."

About the spot this new program occupies on the chart of the economic program put forth in the Soviet arena, and about the likelihood of these programs being in conflict, Shatalin said that "it so happened that this day (1 September) coincided with the same date on which I submitted to President Gorbachev the draft of the 500-Day program."

Asked what he thought about the chances of forming a new government, Shatalin said that the current circumstances in the Soviet Union are not suited for the formation of a central government and, perhaps, the matter needs to be managed another way.

With regard to President Gorbachev's role should the union fall apart, the Soviet official said that the constitution had not been changed yet. He emphasized that he had been in constant contact with Gorbachev during the previous three days, and that he had asked for a clarification of his positions vis-a-vis a number of issues, pointing out that Gorbachev was still a fireball of activity and committed to all his stances that endorse the survival of the Soviet Union's unity.

Asked to what extent the Shatalin program conflicted with the Yavlinski program—Gregory Yavlinski occupies the position of deputy chairman of the interim committee charged with running the country right after the previous government is disbanded—Shatalin said that he had a good relationship with young Yavlinski, who is full of vigor and vitality, as he put it.

Democracy Triumphs

We came to our last question about developments in the Soviet arena right after the failed coup. In reply to this question, Shatalin said that "it was perfectly clear that democracy has won a great victory, but the question remains whether this victory can feed the country or get it out of its economic crisis. I do not think so. There is still much to be done, and it has to be pointed out that the three

days of the coup did not present many hardships, for I took part in the resistance and stood behind the barricades with my wife.

"The real hardships will inevitably make themselves felt nowadays amid the stifling food crisis.

"Let me comment on the coup. It was a coup of amateurs resisted by professionals, including the people and Yeltsin, and backed by the West who watched its actors. By the way, it is possible to get Western support, and if we are sensible and wise we can get technical and advisory aid and, indeed, dollars to solve our problems. We can offer our oil and our gold because this will not be a one-way street and, what's more, economics is not a passion."

Hungary to Supply Feed Grain for Energy

*92P50002A Kiev RABOCHAYA GAZETA in Russian
12 Sep 91 p 1*

[Unattributed Article "Heat for Grain"]

[Text] By 31 March 1992 Hungary will have shipped a million tons of feed grain to Ukraine. The value of the grain will be nearly \$110 million. Ukraine in return will supply Hungary with electric energy and coal.

Prague Criticizes Gosbank Reneging on National Currency Use

*91UF1196A Moscow IZVESTIYA in Russian 23 Sep 91
Union Edition p 5*

[Interview with USSR Vneshekonombank Representative to Prague and Candidate of Economic Sciences V. Karpich by L. Kornilov, Prague, no date given, under the rubric: "The Next Complication in Soviet-Czech Trade": "USSR Gosbank Is Not Keeping its Word"]

[Text] Citing reliable information from Czech banking circles, RUDE PRAVO newspaper has reported: USSR Gosbank is not fulfilling contractual obligations on the use of national currencies in Czech-Soviet trade.

It has not yet determined those commercial banks that must become partners of Czech financial institutions. Journalists are expressing suspicion that USSR Gosbank will also not do this because individual republics will dispute its authority on this issue.

It turns out that reciprocal payments in koruna and rubles (instead of dollars which neither party has) for which everyone fought until quite recently, which are profitable to both us and to our partners, and which were finally publicly consolidated in the appropriate documents which were barely noticed and have suddenly vanished.... But this will still further restrict opportunities for commodity turnover. Who is doing this? I decided to request comments.

[Karpich] This summer after the signing of the protocol to the payment agreement that stipulated that reciprocal payments could be conducted in koruna and rubles, the Czech and Slovak Federal Republic State Bank immediately authorized all nine of the country's banks to do this. Nearly 2,000 banks operate in the USSR but USSR Gosbank, which is tasked to do this in accordance with the agreement, still has not determined which specific banks the Czech side is to do business with. Here the newspaper is completely correct.

[Kornilov] Do we need to understand that our Homeland has once again violated something?

[Karpich] It turns out that this is so. Although we must not forget that today no exchange rate whatsoever exists for the ruble and the koruna. Each pair of enterprise-partners can determine this for itself. Here the center has nothing to do with it.

[Kornilov] Maybe the center has nothing to do with it but is it not responsible for organizing the matter?

[Karpich] Of course. And it seems to me that the essence is not at all relations between the republics which we are becoming accustomed to blame. Without question, USSR Gosbank is entirely responsible.

**Pursuit of Hard Currency in Asia-Pacific Region
Meets Little Success**

91UF1195A Moscow *IZVESTIYA* in Russian 23 Sep 91
Union Edition p 4

[Article by *IZVESTIYA* Correspondent S. Agafonov, Tokyo: "Asia Will Not Give Us Hard Currency for now"]

[Text] We will attempt to sort this out, as they say, without emotions. The independence of the republics—is this good? Well, naturally it is good, who will argue. But is it bad when there is no hard currency? Of course, it is bad and no one will argue that either. Having dealt with that, let us go on. When an independent "hard currency-less republic" independently seeks this hard currency, what then? From all appearances, this is of course explicable and logical. But then again, when the center, which has still not been abolished, undertakes similar searches, this is also logical. There is no nonsense whatsoever, everything is correct, and everyone is involved in one and the same thing—the hunt for foreign credits and investments: the republics—for themselves, and the center—for everyone. But still regions, krays, and oblasts, giants of industry and modest factories are closing the chain of hunters of cooperators and newly-emerged entrepreneurs who are also justified in their aspiration to attain foreign convertible currency.

However, as a result, neither the center, the republics, nor the remaining institutions on the chain right down to the newly-emerged entrepreneurs have any of the desired hard currency. We have already explained that they are all correct. Therefore, you need to blame someone else in the search for causes of the common failure. Whom? The first thing that comes to mind: Those who are capable of giving us money do not want to know our difficulties. Alas, this explanation will not do since there actually is a desire, and a quite sincere one, which is reinforced by a no less sincere aspiration to not simply give or donate but to get it back with interest and, if possible, in the foreseeable future. But this impulse will inevitably sink in the torrent of our hard currency requests and appeals for aid which are multiplying with frightening speed within the framework of the previously unprecedented trend—credit separatism.

For example, take the Republic of Korea. The country is not too rich but it is economically successful enough to encourage us with \$3 billion at the dawn of establishing diplomatic relations. The agreement is in force but how and with whom do we realize it? Just this month, dozens of representatives of various republics, krays, and oblasts dropped in at Seoul with a single appeal: "Give!". The Far East, Kazakhstan, and Belorussia (now more accurately Belarus)—each has its reasons. And Vadim Medvedev, the USSR President's personal envoy, had also arrived and was already talking to the Koreans for the fifth day about perestroyka and the prospects for economic reform which do not exist for now but are inevitable and he is also appealing for them to give—a lot on good terms and in a

short period of time. The presidential envoy—there is no denying—is impressive but the prime minister from independent Belarus is also asking and, you also agree, is heard. On the one hand, Gosbank guarantees have been promised but, on the other hand, everyone knows that it will already not exist in its previous form which makes the appearance of a multitude of republic-issued sovereign hard currencies possible. How do we sort this out when there is not a trace of clarity?

The Japanese are in a similar situation. A Russian delegation arrived, requested credits and investments for itself and not simply that but with the pledge of a future resolution of the territorial issue. The center, which has the key to the territorial issue which no one has yet taken away, requests through traditional intergovernmental channels. But other republics without territory are requesting money—from the new UN members of the Baltic Region to that same Kazakhstan. And, if the situation is more or less clear with the Baltic Region and, according to Western ideas, it is fashionable to subsidize the newly-emerged independence, then how do things turn out with the rest?

But then again, the hard currency hunt in the ATR [Asian-Pacific Region] is not restricted to Korea and Japan. Taiwan is already beginning to be bogged down with credit "delegations" and the pilgrimage to Hong Kong, Thailand, and Singapore has become actively visible. In the case of Singapore, a detail is extremely noteworthy—this week former Prime Minister Lee Kuan Yu, the most influential politician in that country, is visiting Alma-Ata at the personal invitation of the president of Kazakhstan with a powerful delegation of businessmen and financiers to study opportunities in the investment sphere and the development of aggressive Singapore-Kazakhstan trade and economic relations. God grant that these ties take place but, as experts point out, they are setting aside nearly ten years in Singapore itself—until a financial system has been established in the republic itself and until its ability to pay has been proven. In the very near future—primarily barter, primitive, but then the most reliable in contacts with "investment risk zones."

The opinion is trite but you cannot get by without it—the credit and investment "topic" as a rule is not thirsting for pieces. It arises when a stable guarantee foundation for investments, a tranquil social and political background, a precise economic structure, and clarity of economic intentions exist. At the present time, practically none of these elements of the investment climate exist in our Homeland which is being torn apart and the credit separatism will not fill this gap. Naturally, this is quite complicated: in conditions of freedom to attempt not to pull the covers on yourself but otherwise nothing will turn out. And obviously nothing "is shining" for us besides emergency food and medicine deliveries so that we can survive the severe winter. All of us along the chain—from the center to the newly-emerged entrepreneurs.

Malaysian Defense Minister Meets Shaposhnikov
LD2509045991 Moscow TASS in English 1459 GMT
24 Sep 91

[By TASS diplomatic correspondents Oleg Moskovskiy and Vasiliy Titov]

[Text] Moscow September 24 TASS—Malaysian Defence Minister Mohammad Najib Abdul Razak, on an official visit in the Soviet Union, visited today the Kubinka Air Force Garrison in the Moscow region. He familiarised himself with contemporary Soviet aircraft equipment and watched demonstration flights. He was accompanied by Marshal Yevgeniy Shaposhnikov, USSR defence minister.

Then Shaposhnikov and the Malaysian defence minister had a conversation which lasted for an hour and a half. After the conversation, Shaposhnikov told TASS that the Malaysian defence minister had been planning to visit the USSR somewhat later, but had found an opportunity to come to the Soviet Union earlier in order to express his sympathies and support for the victory of democrats in the USSR.

“We noted with satisfaction the stability of our relations in the military area”, Shaposhnikov said, regarding the contents of the negotiations. “We agreed that it is necessary to continue to develop these contacts between the USSR and Malaysia”.

On the same day the Malaysian guest visited the Taman Guards motorised rifle division, familiarised himself with the conditions in which officers and men perform their service and with their combat training.

Analyst on Iraq's Actions, U.S. Response
LD2509163191 Moscow Radio Moscow World Service
in English 1210 GMT 25 Sep 91

[Sergey Koshkin commentary]

[Text] Reports coming from the United States indicate that the Pentagon is preparing for a military operation against Iraq. Our news analyst Sergey Koshkin has this comment, and this is what he writes:

The statement by the White House press secretary that the United States has every juridical reason to launch military operations against Iraq confirms this information indirectly. The action of this kind is motivated by attempts of Iraq to block UN inspections and flights of inspectors on board of their own helicopters over the country's territory.

True, the Iraqi ambassador to the United Nations has submitted Baghdad's official reply to the international community. Iraq is ready to heed the UN demand to allow international inspectors the use of helicopters over its territory for examining military installations. But earlier this week the Iraqi authorities detained a new group of inspectors at a nuclear facility near Baghdad. This happened

despite the United Nation's categorical request to stop provocations and set all the inspectors free. Judging from the inspectors' information they discovered new facts about Iraq's nuclear program, facts that Saddam Husayn wished to conceal from the world public. In short, Baghdad's resistance only serves to provoke strict countermeasures.

As American mass media reveal, the Pentagon is just waiting for an order to send an additional contingent of troops to Kuwait and Saudi Arabia bordering on Iraq. The BBC has specified that at present more than 2,000 Air Force servicemen are ready to be dispatched there. Besides, 40,000 American troops are still stationed in the Gulf region. Added to this should be a fleet of 26 American warships concentrated in the Persian Gulf and the adjacent waters.

The UN Security Council has voiced full support to actions of its experts. It has reaffirmed that a special commission of the United Nations set up to search and scrap Iraqi weapons of mass destruction can decide independently what documents, facilities and materials are subject to inspection.

In these conditions, when guns can resume firing at any moment, we'd like to hope that Baghdad would take into account the seriousness of the situation. Commonsense should take the upper hand, writes Sergey Koshkin in conclusion.

Shevardnadze on Ties With West, Mideast Peace Process

PM2609154491 London AL-HAYAH in Arabic
25 Sep 91 p 4

[Interview with former Soviet Foreign Minister Eduard Shevardnadze by Jalal al-Mashtah in Moscow; date not given]

[Excerpt] [Passage omitted] [Al-Mashtah] You played a considerable role in achieving the rapprochement with the West. What are the prospects for relations between the West and the Union? What aid can the West provide, and is a new “Marshall Plan” likely?

[Shevardnadze] I would venture to say that I believe that the skies of relations will not be cloudless in the future. In fact, ties will be much more complicated than in the past. The sovereign republic has started to be a partner of the West. A completely new situation has emerged, and in view of this it is difficult to make any predictions.

We certainly need the West's assistance, but then it is the West which decides what and how much to offer. In principle, the situation that resulted from the “Marshall Plan” can be compared with the situation resulting from the changes here.

[Al-Mashtah] You were among those who helped with the preliminary preparations for the peace conference on the Middle East. Will the conference be held and, if so, when?

In your view, what is the PLO's future? With regard to the first part of the question, will the position of some Arab states on the recent coup affect relations with the Union, and how will Soviet-Israeli relations develop?

[Shevardnadze] The conference is necessary, and it has been agreed by all the parties concerned. I hope it will be convened before the end of the year. However, I cannot predict its results. I believe that all the participants realize that this is the first time that a real opportunity has emerged to achieve a comprehensive settlement in the

Middle East—and this will prompt them to act responsibly and constructively.

A settlement in the Middle East is impossible without upholding the Palestinian people's legitimate rights. I believe that historic justice with regard to the Palestinians will be restored. I do not believe that the reaction of some Arab countries to recent events in our country will seriously or deeply affect the traditionally friendly relations with the Arab world. In my view, procrastination in resolving the issue of the full restoration of relations with Israel is incomprehensible.

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